HEARING ON THE REAUTHORIZATION OF PROGRAMS UNDER THE SUBCOMMITTEE'S JURISDICTION

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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HEARING ON THE REAUTHORIZATION OF PROGRAMS UNDER THE SUBCOMMITTEE'S JURISDICTION

MONDAY, FEBRUARY 24, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 10:10 a.m., in room 2216, Rayburn House Office Building, Hon. Dale E. Kildee (chairman of the committee) presiding.

Members present: Representatives Kildee and Tauke.

Staff present: Susan Wilhelm, subcommittee staff director; Anne McGrath, legislative associate; Carol Lamb, minority legislative associate; and Tom Kelley, clerk.

Mr. KILDEE. The Subcommittee on Human Resources meets this morning to hear witnesses from the administration and the General Accounting Office. The administration witnesses will be discussing the President's budget proposals and recommendations for reauthorizing the administration for Native Americans, Head Start, and Follow Through.

The General Accounting Office witness will be reporting on programs funded under the Community Services Block Grant Below Income Home Energy Assistance Program.

The programs we will be discussing today are the last vestiges of the war on poverty. They are programs designed to help the most vulnerable in our society.

With the exception of LIHEA, the subcommittee has held individual hearings of each of these programs. The witnesses brought us up to date on past and present accomplishments and future needs. We have scheduled a future hearing on the Low-Income Home Energy Assistance Program later this week. This week's hearings complete the subcommittee's schedule in preparation for marking up legislation to reauthorize these programs.

We have learned a great deal already and look forward to additional insights to be gained from the hearings today and Thursday. Our first witness is very well known to this subcommittee, the Honorable Dorcas Hardy, Assistant Secretary for Human Development Services, Department of Health and Human Services.

I want to express the appreciation of the subcommittee, and my own personal appreciation, for the time and effort spent in the reply to my recent letter to you. We may have some followup questions on that, but we do recognize that a great deal of time was

spent preparing that answer, and we appreciate that very much. I know you are accompanied by other people well known to the subcommittee. We had Clennie Murphy out in Cedar Rapids, IA, 2 weeks ago for a very good hearing out there. And of course Dodie Livingston is very well recognized by this committee, and also the Honorable William Lynn Engles, Commissioner, Administration for Native Americans.

We welcome you all here this morning. Dorcas.

STATEMENT OF DORCAS R. HARDY, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES, DEPARTMENT OF HEALTH AND HUMAN SERVICES, ACCOMPANIED BY WILLIAM LYNN ENGLES, COMMISSIONER, ADMINISTRATION FOR NATIVE AMERICANS; DODIE LIVINGSTON, COMMISSIONER, ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES; AND CLENNIE MURPHY, ACTING ASSOCIATE COMMISSIONER, HEAD START BUREAU

Ms. HARDY. Thank you, Mr. Chairman. As you noted, I am accompanied by wonderful people who are committed to these programs, as we all are, and it is a pleasure this morning to present to you some overview comments that we have about Head Start and about Native American Programs. We have submitted an extensive statement for the record, which I would like to highlight.

As you know, Head Start has been around for 20 years, and it is a program that provides services to low-income families throughout the country. Certainly, the goal of Head Start has been to improve the quality of life for children and their families, and to strengthen each child's physical, and social, and mental development.

The Head Start Program has grown and evolved over the years, and has changed from a short-term summer project to a full-year schedule of 8 months or longer, and has reached to populations such as handicapped children. The framework that was laid down 20 years ago still remains the blueprint for Head Start as we know it today. Over the years it has provided services for 9½ million children, and has had a very positive impact on families and communities.

The program has also had a dramatic impact on the child development field nationwide, and Head Start has served as a model for many public and private child development programs. Also parents of Head Start children participate in the classrooms as volunteers, and observers, and staff, and many parents and other low-income Head Start staff have been able to rise out of poverty through training supported by the program.

Thousands have earned college credits or completed degrees in early childhood development and related fields.

Since 1980, Head Start has provided comprehensive child development services to over 2 million children, and the budget has increased from approximately 800 million in 1981 to more than 1 billion in fiscal year 1985. During this period, enrollment in the program has grown from 387,000 children to over 448,000 children.

As we look at fiscal year 1986, the Head Start appropriation included a $12 million increase over 1985. The program itself, however, has been reduced by 4.3 percent due to the effects of the

Gramm-Rudman-Hollings legislation. We plan to minimize the impact on local grantees by applying discretionary funds to those grantees' projects. Each local grantee would receive only a 1.4-percent decrease, that is, 1.4 percent less than it received in fiscal year 1985.

For 1987, our budget request is $1.075 billion, which will allow grantees to be funded at the 1985 levels. I would like to look at two areas where we think we have been especially good in the Head Start Program. One is a management initiative which became operational in 1984, to analyze costs and improve the efficiency of the program, and we will continue that this year and next. And, second, there are a number of innovative Head Start projects that were funded last year and are being continued this year. They have demonstrated some new approaches to meet special needs of children, such as homeless families in large cities, or dealing with special dental, and medical, and hearing needs among American-Indian children.

Further emphasis will also be placed on limiting most children to 1 year of participation in Head Start. While there will be special cases where 2 years are justified, we believe that in general each child shall receive 1 year of services. What we need to keep in mind is that for every child enrolled in the program for 2 years, another child receives no Head Start benefits at all.

I would like to reaffirm, Mr. Chairman, to you and the committee, that we believe we are continuing to provide high quality, and efficient, and very responsive services to our Head Start children and their families. For this reason, we are requesting that the Head Start Act be reauthorized for 3 years with only minor program changes. We are proposing the elimination of the provision requiring that at least $25 million be spent each year for training and technical assistance, and this change will remove an unnecessary restriction on the Secretary's discretion to meet program needs.

We would also recommend that mandatory cost-of-living increases for Indian and migrant Head Start Programs be eliminated. We think that these mandated increases for these particular programs place an unfair burden on other Head Start grantees.

I would like to turn now to the Native Americans Program. As you know, the Native American Programs Act provides self-sufficiency for American Indians, Alaskan Natives, and native Hawaiians, and it does that by encouraging local strategies and social and economic development.

Our reauthorization proposal extends the current law, and in addition to this extension we are requesting that section 803 of the act be amended to allow for-profit private organizations that are established by Native Americans to compete for financial assistance grants. Currently, only public and private nonprofit organizations are allowed to participate. However, many Native American communities, through our social and economic development strategies, have reached the stage in their economic development at which they can create profitmaking entities to carry out activities, and we believe that these for-profit arms of the community should be able to apply for sources of revenue such as the Native Americans Program as well.

Removing the nonprofit restriction would support the Department's initiative to remove any kind of legislative and regulatory barriers to permitting the for-profits to apply. We also think this would help the program achieve its objectives by increasing the number of Native American organizations who are eligible to participate.

I would just like to share two examples with you, because we believe that the Native Americans Program, and our social, and economic development strategies have been extremely successful, and I can publicly say, in my humble opinion, that it is the best Native American Government Program that there is, especially when we measure it by our return on our Government investment.

One example is the Fond du Lac Tribe, which received an ANA grant which enabled them to secure a contract for almost $2 million with the U.S. Postal Service to produce postal vending machines and almost a $300,000 contract with the General Services Administration. These contracts resulted in 117 percent increase in sales and created 24 full-time jobs.

Another example is the Mississippi Choctaw, where they have three enterprises which were supported in the beginning by the Administration for Native Americans: one to employ 200 individuals; another employs 60 employees for renovation of 200 houses and construction of 400 new homes; and another is an automotive wiring contract and new company where they have 675 employees.

We have measured our success and the Choctaws have measured their success by a decrease of 15 percent in their unemployment rate and a decrease of 25 percent in their welfare assistance caseload.

That concludes my formal remarks. I would just like to say that both of these programs, I believe, are excellent examples of social and economic development strategies. They provide temporary public support, and promote independence, and self-sufficiency for two vulnerable populations.

Thank you, Mr. Chairman.

[The prepared statement of Dorcas R. Hardy follows:]

PREPARED STATEMENT OF DORCAS R. HARDY, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman, and Members of the Committee, I am pleased to have the opportunity to appear before you on behalf of the Department of Health and Human Services to discuss the reauthorization of the Head Start and Native American Programs. With me today are William Lynn Engles, Commissioner, Administration for Native Americans, Dodie Livingston, Commissioner, Administration for Children, Youth and Families, and Clennie Murphy, Acting Associate Commissioner, Head Start Bureau.

It is a pleasure to request the reauthorization of these two important programs. Both programs, despite differences in detail, have very similar goals—economic and social self-sufficiency in our society through freedom from dependency.

HEAD START

It is now more than twenty years since Head Start began providing services to children from low-income families throughout the nation. The program was launched in 1965, and was designed to follow recommendations made by a panel of experts, chaired by Dr. Robert Cooke of Johns Hopkins University.

They concluded that special programs could be devised to improve both the opportunities and achievements of children living in poverty and noted, "It is clear that successful programs of this type must be comprehensive, involving activities gener-

ally associated with the fields of health, social services, and education, and they must be tailored to the needs of the individual community and the individual child."

The objectives of the Head Start program were defined as:

a. Improving the child's physical health and physical abilities;

b. Helping the emotional and social development of the child by encouraging self-confidence, spontaneity, curiosity and self-discipline;

c. Improving the child's mental processes and skills, with particular attention to conceptual and verbal skills;

d. Establishing patterns and expectations of success for the child which will create a climate of confidence for his future learning efforts;

e. Increasing the child's capacity to relate positively to family members and others while at the same time strengthening the family's ability to relate positively to the child and his problems;

f. Developing in the child and his family a responsible attitude toward society, and fostering constructive opportunities for society to work together with the poor in solving their problems; and

g. Increasing the sense of dignity and self-worth within the child and his family.

There have, of course, been a number of areas in which Head Start has grown and evolved over the years, such as converting from a short-term summer project to a schedule of eight months or longer, establishing mandatory performance standards to ensure program quality, and reaching new populations like handicapped children. Despite these changes, the objectives laid down more than 20 years ago remain the blueprint for Head Start.

Studies have shown that Head Start is an effective vehicle for providing the services necessary to narrow the gap between impoverished children and their more advantaged peers. In the past twenty-one years, Head Start has provided comprehensive early childhood development services to over 9½ million children and improved the quality of life for these children and their families. Intended primarily for preschoolers from low-income families, the program has fostered the development of children and enabled them to deal more effectively with both their present environment and later responsibilities in school and community life.

Head Start has also had a positive impact on families and communities. Parents of Head Start children participate in classrooms as volunteers, observers and staff, as partners with professional staff in making decisions about their local program, and as recipients of social services, child development information, and other related services they request. Many parents and other low-income Head Start staff have been able to rise out of poverty through training supported by the program. Thousands have earned college credits or completed degrees in early childhood development and related fields and are now child care resources themselves.

In many ways, the program has had a dramatic impact on the child development field nationwide. Head Start has served as a model for many public and private child development programs. It has had a profound influence on the planning of child development and day care services, on the expansion of State and local activities for children, on the range and quality of services offered to young children and their families, and on the design of training programs.

Studies indicate that Head Start children score higher than comparable non-Head Start children in preschool achievement tests. Studies also show that Head Start children perform as well as or better than their peers when they enter elementary school, and that they have fewer grade retentions and special class placements.

In the past five years, Head Start has provided comprehensive child development services to 2,092,300 children. The budget has increased from less than $819 million in FY 1981 to more than $1.075 billion in FY 1985. During this period, enrollment in the program has grown from 387,300 to 448,250, and specific steps have been taken to improve the quality of the services provided.

Head Start became more effective in working with families during this period. For example, between 1980 and 1985, the delivery of health services improved, with treatment being provided to 97 percent of the children with medical problems, as compared with 87 percent in 1980. Ninety-five percent of the children needing dental treatment now receive it, 5 percent more than in 1980. Today, virtually every child who is in the program for more than 90 days receives medical screenings, and 95 percent receive dental screenings. In addition, 94 percent of Head Start children receive all needed immunizations.

The percentage of Head Start families receiving social services increased from 75 percent to 97 percent. More parents volunteered to help in the program, an increase from 64 percent of all parents to 81 percent. More parents were hired to work in the program, and in 1985 parents constituted 32 percent of Head Start employees. In the classroom, the qualifications of staff have also improved, with 31 percent of staff

now having a degree in early childhood education for a Child Development Associate (CDA) certificate. Head Start continues to provide special services to 12 percent of its children who have been professionally diagnosed as handicapped.

In FY 1986, the Head Start appropriation, which included a $12 million increase over FY 1985, will be reduced by 4.3 percent due to the effects of the Gramm-Rudman-Hollings legislation. However, we plan to minimize the effect of this on local grantees by applying other discretionary funds to project grants. Each local grantee will receive 1.4 percent less than it received in FY 1985. For FY 1987, the Administration's budget request of $1.075 billion would allow grantees to be funded at the full FY 1985 levels.

I would like to outline briefly for this Committee a few areas in which program initiatives are being undertaken during FY 1986:

A management initiative to analyze costs and improve the efficiency of programs, which became operational in FY 1984, is continuing this year. Grantees have identified savings through the use of this management analysis and utilized these savings to improve program quality and increase enrollment.

A number of innovative Head Start projects funded in FY 1985 are being continued in FY 1986. The projects are demonstrating new approaches for delivering Head Start services to meet special needs, such as serving homeless families in large cities and dealing with special dental and hearing problems among American Indian children.

Further emphasis will be placed on limiting most children to one year of participation in Head Start. While there will be special cases where two years are justified, recent studies show that the benefits of an additional year in the program are minimal. What we need to keep in mind is that for every child enrolled in the program for two years, another child receives no Head Start benefits at all.

A network of Resource Access Projects (RAPs) provides local grantees with special training and technical assistance for meeting the special needs of handicapped children.

We are continuing our commitment to parent involvement in Head Start and are continuing to emphasize the role of parents as the primary educators of their children.

A variety of training and technical assistance activities are helping local projects to meet program performance standards in component areas which include education, social services, parent involvement and health services. Services are delivered in part through a network of training and technical assistance providers which are accountable to local Head Start projects, and in part through the direct funding of local programs to allow them to purchase training and technical assistance directly.

Mr. Chairman, I would like to reaffirm to you and the other Members of the Committee the commitment of the office of Human Development Services and the Administration for Children, Youth and Families to continue providing high quality, efficient and responsive services to Head Start children and their families.

For this reason, we are requesting that the 1984 Head Start Act be reauthorized for three years, with only minor program changes. We will propose the elimination of the provision requiring that at least $25 million be spent each year for training and technical assistance. This change will remove an unnecessary restriction on the Secretary's discretion to meet program needs. We also recommend that mandatory cost-of-living increases for Indian and migrant Head Start programs be eliminated. Mandated increases for these programs place an unfair burden on other Head Start grantees. Our proposal will, however, ensure that Indian and migrant Head Start programs receive at least the same proportion of available funds as they received in FY 1985.

NATIVE AMERICAN PROGRAMS ACT

The Native American Programs Act promotes self-sufficiency for American Indians, Alaska Natives and Native Hawaiians by encouraging local strategies in social and economic development. We consider social and economic underdevelopment to be the paramount obstacle to the self-sufficiency of Native American communities and families.

Social and economic underdevelopment contributes to high unemployment, high school drop out rates, poor health, and other problems which affect Native Americans to a greater degree than almost any other population group. The lack of a strong diversified economic base has made Native American communities especially dependent on Federally-designed, Federally-funded and Federally-operated programs.

The Administration's reauthorization proposal basically extends the current law. In addition to the extension, the Administration is requesting that section 803 of the Act be amended to allow for-profit private organizations established by Native Americans to compete for financial assistance grants. Currently only public and private non-profit organizations are allowed to participate. Many Native American communities are reaching the stage in their economic and social development at which they can create profit-making entities to carry out developmental activities. These "for profit" arms of the community generate jobs for Native Americans, are a source of revenue for the community, and can attract needed capital from outside the community more readily than can tribally-managed businesses.

Removal of the non-profit restriction would support the Department's initiative to remove legislative and regulatory barriers to grants to for-profit organizations in this case permitting such grants only to Native American organizations. This would also help the program achieve its objectives by increasing the number of Native American organizations eligible to participate in the program.

Reauthorization of the existing law will enable the Administration for Native Americans' strategy for social and economic development to continue to make a measurable impact on self-sufficiency for Native Americans.

The Administration for Native Americans programs and policies foster a balanced developmental approach at the community level through three major goals:

1. To help develop or strengthen tribal governments, Native American institutions and local leadership to assure local control over all resources;

2. To foster stable, diversified local economies to provide jobs and reduce dependency on social services; and

3. To support access to and coordination of programs and services which safeguard the health and well-being of a community and its people.

These goals are based on the premise that the local community has the primary responsibility for determining its own needs, planning and implementing its own programs, and building a strong economic base through effective use of its own natural and human resources.

The Administration for Native Americans' funding policy is to assist Indian Tribes and Native American organizations to plan and implement their own long-term strategies for social and economic development. This funding approach moves the focus from increasing dependency on social services to increasing the productivity of both individuals and communities.

Panels of outside individuals review and rate all applications for financial assistance funds according to published criteria and seek to identify those proposals most likely to produce permanent, beneficial change for Native American communities. Applicants must state specific, measurable goals based on the developmental needs of the community. After funding, grantees must report what they have accomplished based on the goals they set.

Tribes and organizations are finding that Social and Economic Development Strategies (SEDS) provide the means through which lasting change may take place. In the past three years the policy has benefited all of the groups ANA was established to serve.

It has met with success in Indian tribes, Alaskan villages, Hawaiian communities and urban organizations. Given determination and motivation on the part of the community, SEDS strategies have worked regardless of the local resources which are available, the level of political development of the community, or the social or economic needs of local people.

There are many success stories involving our grantees. Three of them are:

ANA's grant to the Fond du Lac Tribe enabled the Fond du Lac Manufacturing Company (FLM) to secure a contract for $1,983,887 with the U.S. Postal Service to produce postal vending machines and a contract for $275,000 with the General Services Administration to manufacture specialized storage equipment. These contracts resulted in a 117 percent increase in sales over 1984 and created 24 full time jobs in the sheet metal, welding, fabricating and painting trades, and management areas.

In addition, the tribe has obtained small minority business (section 8-A) certification and has secured $130,000 from the Small Business Administration to purchase additional equipment for the company, greatly increasing production capabilities and efficiencies.

ANA's grant to the Cumberland County Association for Indian People resulted in services provided to 45 existing Indian businesses and the establishment of a number of new businesses, including a florist shop, a dry wall construction company, and a roofing repair company. These activities resulted in 24 new jobs with an estimated payroll of $254,000.

ANA's grant to the Coeur d'Alene Tribe enabled them to open a new shopping center in 1985 in Plummer, Idaho. The shopping center's key attractions are the supermarket, one of the largest in the area, and six retail businesses, one of which is an Indian owned enterprise. The new businesses are providing needed products and services to travelers and to both Indian and non-Indian residents of the community. The Center has provided 29 permanent jobs and rental income to the Tribe. The Tribe is now working on expanding an auto service station, which is expected to open in the Summer of 1986.

The Coeur d'Alene Tribe is also engaged in a joint venture with the private sector, establishing the Tenton/Three Rivers Rod Company. The company produces fishing rods which will be featured in Eddie Bauer's Spring catalogue. Coeur d'Alene tribal members have already been trained to produce the custom-made rods.

Overall program accomplishments in FY 1985 were significant and include:

The creation of 12,095 jobs for Native Americans resulting from our projects;

The initiation or expansion of 373 Indian, Alaska Native and Native Hawaiian businesses;

The strengthening of the governmental functions of 58 Tribes through the enactment of codes and management improvements; and

The construction or renovation of sixty-seven housing units on reservations and in urban areas.

Social and Economic Development Strategies grants aimed at social development often contribute to a tribe's economic development as well. By establishing day care centers and service networks to help the elderly and alcohol and drug abusers, these grants provide needed social services as well as jobs for tribal members training in social work. SEDS grants also helped tribes and organizations establish more than one hundred linkages with local governments for the delivery of social services.

CONCLUSION

We are proud of both of these programs, and particularly of the way Federal funding in these grants generates support and partnership with local communities and the private sector. We believe that this also is a significant product of these programs.

We will be pleased to answer any questions you might have.

Mr. KILDEE. Thank you very much, Dorcas, for your testimony.

One question: We were encouraged, of course, when we heard that the 4.3 percent mandated Gramm-Rudman cut would be minimized to 1.4 percent when it reached the grant recipients out there in the field. Can you tell us how you are able to accomplish that? Where did you find the discretionary funds in order to do that?

Ms. HARDY. Mr. Murphy can be even more explicit, but basically we had a $12 million increase from the Congress for fiscal year 1986, which we eliminated. We also have about $8 million in program improvement funds, but we anticipate using these dollars for program improvement this year. We reprogrammed what we anticipate to be about $11 million in carryover balance and applied this amount to our mandated 4.3-percent reduction. The remaining reduction of the 1.4 percent taken from the grantees comes out to be about $14 million. We will also absorb a 4.3-percent reduction in our accounts for research demonstration, training, and technical assistance.

All that adds up to the mandated $46.7 million decrease.

Mr. KILDEE. OK, so you took the full percentage cut from the training part——

Ms. HARDY. Right.

Mr. KILDEE [continuing]. And then you recycled some of the dollars there.

Ms. HARDY. And we expect about $10.5 to $11 million in carryover balance, and we have the $12 million increase for 1986 that the Congress gave us that we didn't take.

Mr. KILDEE. You did not take any money from training or technical assistance, other than Gramm-Rudman cuts—Clennie?

Mr. MURPHY. We have $25 million in training and technical assistance. We also have resource access projects for $1.8 million. We have an RD&E budget of $1.3 million. This came to $28.1 million. Although we took the 4.3 percent from the entire $28.1 million, as the Assistant Secretary has testified, the legislation requires us to maintain T/TA funding at the $25 million level. So the 4.3 persent was actually taken from that portion over the $25 million.

Mr. KILDEE. Other than that, they didn't take any additional funds from that training and technical assistance.

Mr. MURPHY. We did not.

Mr. KILDEE. That's encouraging, because I think that Congress has made it clear we want that training and technical assistance money spent for that purpose.

Dorcas, in your February 14 memorandum to the regional offices which you enclosed, it is stated that the Department is in the process of developing regulations to define the circumstances under which programs may serve children for more than 1 year. Current law says: "Each Head Start Program operated may provide more than 1 year of Head Start services for children from age 3 to the age of compulsory school attendance in the State in which the Head Start Program is located."

Would your proposed regulations be consistent with that statement in the statute?

Ms. HARDY. Yes, they will.

Mr. MURPHY. We want to emphasize the fact here that we are talking about Head Start serving at the present time approximately 24 percent of the Head Start population for more than 1 year. The regulations are very clear that at the time of entering a child into the program, we are supposed to review the child's record, review the family assessment, and make judgments about the child entering the program.

We want to stress the fact that we are concerned that the assessment at the time of recruiting is a real honest assessment. We have done an extensive review, and we find that some programs have as high as 29 to 30 percent of the kids in the program for more than 1 year. Other programs have 3 and 4 percent. So we are making an effort to adhere to the way the policies are presently written, to look at the kid's age at the time of recruitment. It is our opinion that that will reduce, significantly the number of kids who are staying in for more than 1 year.

In fact, we have some youngsters in Head Start for 3 years. So the policy that we are now about to clarify will clearly talk about 1-year enrollment in Head Start, but will not say that no kid can stay in Head Start more than 1 year.

Mr. KILDEE. I guess what we are trying to really ascertain is this, the statute does say that a Head Start Program operated in a community may provide more than 1 year of Head Start services. We want to make sure that regulations aren't chilling that option for that community. The statute says or implies, that it is a community decision whether to provide more than 1 year of service or not. I am wondering whether the regulation has a chilling effect upon that option.

It is a community decision. Based on the existing regulations, if you bring in a child at 3 years of age, the child doest not automatically stay in for 2 years. Each year, the child is to be assessed against the needs in that family. The regulation also talks about taking those families who need it the most, and that should be a requirement in the local program. If there are some kids who really need it and should stay in the program, then they can be in there for 2 years.

You are telling me that 3-year-olds come in the first year and automatically stay in the second year, and that is not consistent with Head Start policies. Ultimately, serving 3-year-olds is a community decision. The regulations, though, would have to be consistent with the statute.

I do appreciate your reply to my inquiry there. We have to give regulation authority to agencies because you have to fine-tune those regulations, but at the same time we all want to make sure the regulations stay within the strictures of the statute.

Dodie, go ahead.

Ms. LIVINGSTON. I was just going to say that one other facet of this change as far as it might go would be to emphasize the child being in Head Start the year prior to going to kindergarten so that he or she would maximize——

Mr. KILDEE. For continuity, right?

Ms. LIVINGSTON. Yes; if it is only 1 year, it is right before he goes to school.

Mr. KILDEE. Tom.

Mr. TAUKE. Thank you, Mr. Chairman, and on behalf of some of our members who are absent, I do want to welcome you also before the subcommittee and thank you for your testimony. We had a very thorough airing of Head Start a week or so ago out in the great State of Iowa, and I want to thank you again, Clennie, for coming out. We appreciated it very much.

You touched on your recommendations for changes in Head Start, and we have just gone through a little discussion about the 1-year versus 2-year issue. Could you say a word more about why you think you should eliminate the mandatory COLA for the Indian and migrant programs. I think we feel that we have gotten them up to more of a parity situation basically.

Mr. TAUKE. What evidence do you have to support that assertion?

Ms. LIVINGSTON. Well, just by figures on our salaries throughout the program. I mean I wouldn't say that all salaries across Head Start are equal, but there are a lot of different circumstances from program to program, and we feel that on the whole Indian and migrant programs are up to standard.

Mr. TAUKE. You also make a recommendation relating to the illumination of the provision requiring at least $25 million each year be spent each year for training and technical assistance. Could you speak to that recommendation as well?

Mr. MURPHY. As discussed earlier, we have instituted what we think is a very effective system now in providing training and technical assistance to local programs. More than 75 percent of these funds go toward direct funding, and the remaining 25 percent of

the funds go to regional offices to be used basically for regionwide T/TA providers.

We are now building the capacity in the local programs to do training and technical assistance. We have just recently completed a review which suggests to us that 80 percent of the training in local programs is provided by staff in local programs. With that information and with our constantly work with grantees, we think that we should have the flexibility of making that decision based on the need.

Mr. TAUKE. The recommendation is that we totally eliminate the $25 million requirement. What if we modified it in some way?

Mr. MURPHY. I think the recommendation is that we not have that earmarked—which says that we can spend no less than $25 million; that instead we have the flexibility to decide how much that amount should be.

Mr. TAUKE. Right. The concern has been, though, that the area of training and technical assistance will be shortchanged, but I understand the reason for not saying $25 million. Is there some suggestion that you might have other than just eliminating that provision? Maybe not now; maybe you can think about it.

I guess what I am trying to say is I think it may be difficult along the way to eliminate that provision completely, and it may be even more helpful if you would come back with a suggestion that would permit us to give you more flexibility so that you aren't locked into $25 million, especially with the prospect of Gramm-Rudman cuts coming into place, but at the same time would provide some assurance to those who are concerned that technical assistance and training would be knocked out if we didn't have some kind of mandate in the statute.

Dorcas, in your comments about the ANA Program, you indicated that you thought for-profits should be eligible for participation in that program. Given level funding, what would that do to the funding going to current grantees?

Ms. HARDY. It would mean that there are some more eligible applicants, but everybody would still be competing. Basically, this is not including for-profits in terms of having just everybody on the street who is for-profit. These are Native American for-profit organizations that would be arms, in many cases, of the tribes, and that have been set up so that you don't have to fund through a nonprofit organization in order to have a for-profit entity. It is a mechanism that we think would strengthen the program because we have, through social and economic development strategies, been able to create some of these entities, yet they cannot go further and apply to ANA for further dollars.

Mr. TAUKE. In the proposed appropriation language for Head Start as I understand it, there was an administration recommendation that Head Start be considered an education institution, and that employees would not get unemployment compensation during the summer months. Are you going to recommend that we include that kind of language in the authorizing legislation?

Ms. HARDY. We are looking for ways that we can do that, having some discussions with other departments, specifically the Department of Labor. They have not been willing to have that change be

made at this point in time, so we continue to have discussions with them. It is in the appropriations proposal we sent to the House.

Mr. TAUKE. Do you see a need for something like that to be in the authorization language, or do you prefer to stick with the appropriations—the year-to-year appropriations to deal with that issue?

Ms. HARDY. Your colleagues in the appropriations hearings do not appreciate it only being in the appropriations side. I think it would be good if we could put it someplace, whether it is the Head Start authorization or someplace through the Treasury, or DOL or whatever, and that is what we are looking at at the moment. But we have had improvements, as Clennie has reported, in the Head Start Programs themselves, in terms of looking at their own unemployment insurance compensation accounts and making amends themselves.

Mr. TAUKE. Is child care information referral under your jurisdiction?

Ms. HARDY. In terms of the Dependent Care Program? Yes, sir.

Mr. TAUKE. The rescission has been proposed for that; is that correct?

Ms. HARDY. Yes, it has.

Mr. TAUKE. And you didn't speak to that in your testimony this morning, right?

Ms. HARDY. No, I did not.

Mr. TAUKE. Do you have any observations for us you care to share?

Ms. HARDY. I am hoping for a rescission.

Mr. TAUKE. You want to tell us why? This is your chance to give a justification.

Ms. HARDY. We have testified in the past against the Dependent Care Program, and our basis has been that there is a lot of child care information and referral throughout this country. That is funded through other sources. We don't need a small Federal program that seems to grow with leaps and bounds in the future. I also believe that child care information and referral is not something that should be coming out of Washington. It should be coming from the local level.

We are seeing numerous individuals and organizations getting involved in this issue from IBM having all of their employees through their massive network having access to information and referral in local communities, to American Express; in Utah other employers are involved in child care as an issue. Additionally, many of these services, if financial support is needed at the local level can be funded through other mechanisms.

Mr. TAUKE. I presume the moneys are on hold right now pending the rescission request.

Ms. HARDY. Yes, sir.

Mr. TAUKE. And what happens if the rescission is not granted, what will you do with it?

Ms. HARDY. We will go with what the Congress tells us that we have to spend the $5 million on—distribution to States for setting up child care information and referral systems as they fit and school-age day care.

Mr. KILDEE. Could you yield on that point?

Mr. TAUKE. Well, let me just ask one question, and I will yield. Do you have regulations prepared?

Ms. HARDY. We do not have regulations prepared.

Mr. TAUKE. How long would it take to put together regulations if the rescission is not granted?

Ms. HARDY. Probably about 60 to 90 days, assuming we can go with what we call a Federal Register notice and program instruction to the States rather than formal regulations. When we distribute the funds on a per capita basis as called for in the law, it is not a lengthy process.

Mr. TAUKE. Would we anticipate that the States would have to expend the money within the current fiscal year?

Ms. HARDY. They would have to at least obligate the money, if not expend, during this fiscal year, yes, sir.

Mr. TAUKE. If they did not, then what happens?

Ms. HARDY. If they did not, then it would be subject to collection or reversion to the Treasury. That's 1-year money, if I remember correctly. Since I have been hoping for a rescission, I have not looked at this carefully in the last couple of weeks, but I believe it is 1-year money. It is not like some of the others—as most of our dollars are, they are 1 fiscal year dollars.

Mr. TAUKE. Well, I happen to support the rescission, but I am kind of wondering what is going to happen. I would guess that it probably won't be rescinded, but it appears as if you might win the battle anyway.

Ms. HARDY. No, the funds would have to be obligated. I mean if you did not rescind, then I would be responsible to spend it.

Mr. TAUKE. Except that if it takes you another 3 or 4 months to get the regulations out, and then the States have to get together a program and obligate the moneys before the end of September, they may not be able to do that.

Ms. HARDY. They seem to be very creative in being able to spend their share of the $5 million—or at least obligate it, if not spend it, and I have faith in that ability of theirs.

Mr. TAUKE. One last question: I know that Follow Through is not under your jurisdiction. Do you have any observations that you would care to share with us about the Follow Through Program?

Ms. LIVINGSTON. If I could just deviate slightly from your question. We have a couple of programs that we are working on this year transitioning our Head Start kids into the public schools. We call it sister schools. We have a couple of other pieces that involve parent enrichment programs for the parents and we have a national task force on parent involvement, which is about to report its yearlong findings. We will be announcing those in April.

As you said, we do not run Follow Through, but we are trying to strengthen that transition period from our end, get our Head Start parents better equipped to march into their public schools with their kids, and continue to be the primary educators, and to get into the PTA's, get in to see the principals, get to know the teachers, get to know the campus before, as much as possible, their kids actually move on. So that is part of our program at the moment.

Mr. TAUKE. That sounds like a good idea. Now what do you think about Follow Through? Do you have any opinions?

Ms. LIVINGSTON. Well, we are transitioning to Follow Through. Whatever they are ready to do, we are trying to get our folks ready for it.

Mr. TAUKE. OK. Thank you. Thank you, Mr. Chairman.

Mr. KILDEE. Thank you.

As far as rescission, I think I can speak with a high degree of certitude. I don't think the rescission is going to take place. You might as well get your people who write the rules and regulations prepared. I agree with you that the States are very innovative. That's the great part of this program, that the States can be innovative in using those funds.

I think the latchkey part of that program is very important. There is a growing need for the latchkey services, and we see that when we travel throughout the country. We see it in various places, even in my community here—I have two communities in which I live, one back in Michigan, and one down here. The parents in these communities generally can afford some type of latchkey situation, but people who are struggling to not go on a dependency system, and trying to work, very often need some child care assistance like that.

This is one thing I think the administration and I could agree upon. Mr. Reagan got the greatest applause in his State of the Union Message, and I applauded several times in that message, when he talked about the need to establish more self-sufficiency programs rather than dependency programs. I think the latchkey assistance is really a type of self-sufficiency program to help people to take care of their own needs. I particularly like the latchkey part of this program.

The referral part, I think, is important, too, but the latchkey programs can directly help people to take care of their own needs. I think the rescission of these funds is probably not going to take place.

One other question here. I know we have Dr. Davenport here, who is a very good friend of mine. I told him 10:30, so I will try to keep it as close to that as possible, Larry.

On that memo which we referred to in our letter to you, the memo states very unequivocally that in enrolling new children, the grantee should enroll 4-year-olds and not 3-year-olds. Now to my mind, that would have a chilling effect upon what is clearly stated in the statute, that local programs may have children in for 2 years. Could you comment on that?

Mr. MURPHY. As we mentioned before, the emphasis here is serving kids the year before public school. I am trying to find that language, the specific language you mentioned.

Mr. KILDEE. Page 4 of enclosure A that you sent us on the second paragraph, just below that chart there where it states the regions.

Mr. MURPHY. I don't have it here. I won't take your time.

But the emphasis here is an the year before public school. That language was not intended to be chilling language to local grantees. It was intended to say that it has been our impression that kids are recruited with no idea of the real need in the family. Everything being equal, we think you should have that sustained service, but you have to take the other part of the context.

In the discussion, it was that their curriculum didn't change. The children got the same services the second year that they got the first year. There was no variability in the program. All of that was in their discussion with the grantee.

Mr. KILDEE. Is stating the preference of the Department rather than the mandate of the Department?

Mr. MURPHY. At the present time, that's right.

Mr. KILDEE. You have to be aware, though, that out in the field when they get something like this, they may take that as a mandatory statement rather than just a preferential statement.

Mr. MURPHY. Except that at the end of that statement, it clearly said that we would be working with each grantee. Maybe not the statement in your letter, but in the general letter it was clear we would be working with each grantee. At the time of refunding, we will be working with the grantee, and so the better described a grantee-by-grantee approach.

When earlier I testified before the committee, stressing program improvement and the changes we are making, we also make a concerted effort to discuss these changes with each of the grantees in the community, prior to publishing any program changes in the Federal Register. We discuss changes with them before the funds distribution goes into the Federal Register.

But this memo that you are referring to that went out to them talked about these as goals, and it said up front that in region III Head Start Programs are serving 29 percent of the population for more than 2 years. Nationwide it is only 24 percent. So within that context there was some discussion, and there are some other issues that they had discussed during conferences and meetings with the grantees.

Mr. KILDEE. Thank you very much.

One question to Mr. Engles: your testimony cites the success of the SEDS policy. Could you describe for us how urban organizations have benefited while receiving a diminishing portion of those available funds?

Mr. ENGLES. Yes, sir, I will. I would like to point out that the amount of money which has been granted to urban organizations has remained constant—it varies between 14 and 16 percent for the last 6 years, so their funding has not decreased that radically.

Mr. KILDEE. The purchasing power, though, would have decreased, would it not, and what they could do with that money would have decreased.

Mr. ENGLES. Well, sir, the 16 percent of the total amount granted to urban grantees has remained as constant as the total, so I think that the purchasing power has diminished for all the grantees the same. But nevertheless, we have encouraged Urban Indian Centers to consider economic development as a form of supporting the social programs that they are committed to.

We recently had a conference in Kansas City, MO, last fall which was very well attended. It was designed primarily for the Urban Indian Centers in which we work with them to further this concept, and I think more and more of them are coming around to that way of thinking.

I'll give you an example. Down in Greensboro, NC, for example, the urban center down there has gone to the two main employers

in the city of Greensboro, Haines Knitting Mills and Burlington Knitting Mills, and asked them if there was anything that they could do that wasn't automated at the two factories. And they said, "Yes, we have not figured out a way to automate putting the underwear in the boxes."

They signed a contract with those two mills to do that, and while it is certainly work that doesn't require a lot of training, they are employing 24 people down there now to do that, to package the underwear that they make down there and to ship it out, and not only has that resulted in jobs for 24 people in the Greensboro area, it has resulted in additional profits to the center which has allowed them to expand their activities and to purchase a building next door.

There is the same sort of thing going on in your hometown in Flint, MI, where the Genesee Valley Urban Center there is working on a store and other commercial enterprises to support the social activities that they want to provide for their constituents.

Mr. KILDEE. I think that is very important because the urban Indians very often in our history have been forgotten, and they have been dropped through the cracks. I am glad to see these stories of success, and I would look forward to working with you to make sure that continues, Mr. Engles.

Mr. ENGLES. Thank you, sir.

Mr. KILDEE. Thank you very much.

I want to express my thanks to the panel this morning. You have been very helpful to us, and I do appreciate that. Dorcas, you do reply to our letters very well. We don't always agree on the reply, but it is a good reply, and it gives us something maybe to write to you again on, to try to get some clarification. We appreciate that very much.

Ms. HARDY. Thank you, Mr. Chairman.

Mr. KILDEE. Thank you very much.

Our next witness is a very good friend of mine, a person who spent 6 or 7 years in Flint, MI, where I was born and raised and still live, the Honorable Lawrence F. Davenport, assistant secretary for elementary and secondary education, Department of Education, Washington, DC.

Larry, we welcome you before this subcommittee.

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION, ACCOMPANIED BY SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE PLANNING, BUDGET AND EVALUATION, AND MARY JEAN LETENDRE, DIRECTOR, COMPENSATORY EDUCATION PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

Mr. DAVENPORT. Thank you, Mr. Chairman. I am accompanied today by Sally Christensen to my left, who is director of budget services, Office of Planning, Budget and Evaluation; and Mary Jean LeTendre, director, Compensatory Education Programs, Office of Elementary and Secondary Education.

Mr. KILDEE. Before you start, Larry, last Thursday, I believe, we had a hearing here in which two Follow Through parents, Mrs.

Suber and Mrs. Brown, participated. I notice they are in the audience again today. They may want to chat with you on your way out today. We might give them a chance to come up again after hearing your testimony. Go ahead, Larry.

Mr. DAVENPORT. Mr. Chairman, it is my pleasure to appear before your subcommittee to discuss the Follow Through Program. In my remarks this morning, I will discuss briefly the origin and purpose of the Follow Through Program and review the scope and cost of its accomplishments to date. I will also summarize the position of this administration regarding the future of the program.

The Follow Through Program began in 1967, as an amendment to the Economic Opportunity Act of 1964. Like so many other programs started under this legislative authority, Follow Through was intended to address and remedy the inequities of opportunity that existed at that time in the American educational system. Follow Through was originally conceived as a companion project to Head Start.

Although initially intended as a program to help all Head Start graduates maintain educational gains achieved, it became clear that such an ambitious undertaking was not feasible. Therefore, Follow Through evolved into a more narrowly focused program, serving only some Head Start children and channeling its efforts into research to develop and demonstrate new methods. Virtually from its outset, Follow Through has had two principal missions.

First, the program was to provide specific services to a targeted group of disadvantaged children in kindergarten through third grade, who had completed the Head Start Program. These services were to include comprehensive early childhood care in such areas as health, education, social development, and nutrition. The services were to be provided through a sponsoring organization that could assure professional child development, technical guidance, and support to specific service sites or development projects. All of these services were to be carried out in a setting that encouraged and fostered close parental involvement, training, and support.

The second mission of Follow Through was broader in scope and more universal in application. This mission was to identify models for child development; then to conceive, design, and implement projects that could effectively demonstrate these new practices in serving disadvantaged children. Such new practices were to be evaluated by the Department's Joint Dissemination Review Panel, JDRP, and, if validated as exemplary, to be documented and disseminated to other interested school districts through the National Diffusion Network. That way, program designs that demonstrated gains for disadvantaged children could be adopted by other interested schools at their own cost.

From its initial funding in fiscal 1968 to the present time, Follow Through has had total appropriations of about $785 million and has funded direct services to approximately 1,007,475, disadvantaged children.

In fiscal year 1968, 14 institutions of higher education and educational research laboratories were funded as sponsors to develop models to be implemented in local educational agencies [LEA's]. By 1972, the number of sponsors grew to 22, and during the 10 years

from 1972 to 1982, those same 22 sponsoring organizations and their local projects received all of the Follow Through funding.

More specifically, those 22 organizations have received more than $72 million in direct sponsor support. Since 1982, the group of sponsors has been reduced to 15. Depending on the funding level, between 58 and 69 Follow Through school district programs have operated under the auspices of these sponsors. In addition, 19 resource centers have been established in school districts that have been validated as exemplary by the JDRP. Since the beginning of the Follow Through Program, the JDRP has certified a total of 46 local projects as exemplary for dissemination.

In recent years, the Congress has demonstrated a desire to terminate direct funding for the program. Chapter 2 of the Education Consolidation and Improvement Act of 1981 mandated that Follow Through be phased into the chapter 2 block grant by the end of fiscal year 1984. This action was appropriate given that the purpose of ECIA is to consolidate narrow categorical programs into more flexible block grants.

In the specific case of Follow Through, the same 22 sponsors had received funding for a number of years and it was time to move to a broader, more widely available grant mechanism. Recent appropriations for Follow Through have declined, again consistent with an intention to phase out direct support. However, Congress voted in 1983 for a 2-year extension of Follow Through as a separate categorical program until September 1986.

In this final year of authorization, the Department is now seeking a rescission of the fiscal year 1986 funding of $7,177,000. In addition, no funding is proposed for fiscal year 1987, when the program's authorization will have been repealed. We believe there are several compelling reasons for this course of action.

One, Follow Through was designed to serve as a means of developing and documenting demonstration projects—pilot programs, if you will. That mission has been accomplished. Today, dozens of model programs are available to guide educational agencies and local school districts in setting up their own projects. In order to preserve the investments and experiences made over the 16 years of Follow Through, the Department of Education in cooperation with the sponsors, will develop a user resource document on the Follow Through Program.

Two, as a demonstration project, Follow Through has had more than 15 years to accomplish its mission. More than three-quarters of a billion dollars have been spent on developing model projects to serve students. That is about $780 per student directly served by the program.

Three, today many, if not all, of the services offered in the Follow Through models can and are being provided by chapter 1 programs. Consistently, Follow Through duplicates many of the functions and activities found in the much larger, more universally available chapter 1 program.

Four, because Follow Through has reached only a limited population, through grants to the same organizations year after year, the impact of the program in terms of direct services has been limited. It is not the responsibility of the Federal Government to fund what is ultimately a local discretionary program. Rather, funds should

be made available under the more flexible chapter 2 mechanism. Local districts that want to establish Follow Through type projects will have the option of using chapter 2 funds for that purpose.

In conclusion, Follow Through has served as a demonstration project in assisting America's underprivileged children. Today, however, the pilot projects have served their purpose and the role models of successful Follow Through projects are available to all who wish to use them. There are alternative programs available, such as chapter 2, a proven method of permitting States and local school districts to set their own priorities. Therefore, the Congress should permit the orderly phaseout of direct support for Follow Through, as authorized under the Educational Consolidation and Improvement Act.

Mr. Chairman, we share a common goal to assure that every American child, regardless of background or origin, has access to the best education our system can provide. It is important for our children, for our society and for our future. Mr. Chairman, I welcome your questions.

[The prepared statement of Lawrence F. Davenport follows:]

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First, the program was to provide specific services to a targeted group of disadvantaged children in kindergarten through 3rd grade who had completed the Head Start Program. These services were to include comprehensive early childhood care in such areas as health, education, social development, and nutrition. The services were to be provided through a sponsoring organization that could assure professional child development, technical guidance, and support to specific service sites or development projects. All of these services were to be carried out in a setting that encouraged and fostered close parental involvement, training, and support.

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In recent years, the Congress has demonstrated a desire to terminate direct funding for the program. Chapter 2 of the Education Consolidation and Improvement Act (ECIA) of 1981 mandated that Follow Through be phased into the Chapter 2 Block Grant by the end of fiscal year 1984. This action was appropriate, given that the purpose of ECIA is to consolidate narrow categorical programs into more flexible block grants. In the specific case of Follow Through, the same 22 sponsors had received funding for a number of years and it was time to move to a broader, more widely available grant mechanism. Recent appropriations for Follow Through have declined, again consistent with an intention to phase out direct support. However, Congress voted in 1983 for a two year extension of Follow Through as a separate categorical program until September, 1986. In this final year of authorization, the Department is now seeking a rescission of the fiscal year 1986 funding of $7,177,000. In addition, no funding is proposed for fiscal year 1987, when the program authorization will have been repealed. We believe there are several compelling reasons for this course of action:

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Two: As a demonstration project, Follow Through has had more than 15 years to accomplish its mission. More than three-quarters of a billion dollars have been spent on developing model projects to serve students. That is about $780 per student directly served by the program.

Three: Today, many, if not all, of the services offered in the Follow Through models can and are being provided by Chapter 1 programs. Consequently, Follow Through duplicates many of the functions and activities found in the much larger, more universally available Chapter 1 program.

Four: Because Follow Through has reached only a limited population, through grants to the same organizations year after year, the impact of the program in terms of direct services has been limited. It is not the responsibility of the Federal government to fund what is ultimately a local discretionary program. Rather, funds should be made available under the more flexible Chapter 2 mechanism. Local districts that want to establish Follow Through type projects will have the option of using Charpter 2 funds for that purpose.

In conclusion, Follow Through has served as a demonstration project in assisting America's underprivileged children. Today, however, the pilot projects have served their purpose and the role models of successful Follow Through projects are available to all who wish to use them. There are alternative programs available, such as Chapter 2, a proven method of permitting states and local school districts to set their own priorities. Therefore, the Congress should permit the orderly phase-out of direct support for Follow Through, as authorized under the Education Consolidation and Improvement Act.

Mr. Chairman, we share a common goal—to assure that every American child, regardless of background or origin, has access to the best education our system can provide. It is important for our children, for our society, and, for our future.

Mr. KILDEE. Thank you very much, Dr. Davenport. You are absolutely correct that we share a common goal. Knowing your own background, you not only share that goal, but you have taken great steps in your life to make sure that goal is achieved. We will have

some disagreement here, however, on Follow Through, substantial disagreement.

You mentioned the folding of Follow Through into the chapter 2 block grant in 1981. That happened as a result, I recall, the Gramm-Latta legislation. It was brought before us one morning and it really was put together very rapidly. It even included somebody's phone number. I voted against that, and I voted against the reconciliation, the whole thing that year.

After a couple of years, people began to see what they had done, and that's why 2 years ago, I believe it was, we said we will keep Follow Through as a separate program. Congress is able to rectify its mistakes, and I helped them rectify it, even though I was not part of that initial mistake.

You and I have discussed these issues formally and informally through the years, and I have always enjoyed and benefited from those discussions. But you have mentioned that there has been a 15-year mission, and the mission has been accomplished. We should use your same argument with Cap Weinberger, that you have had a program for 15 years and now it is time to terminate. We don't tend to terminate things over there, though. We add more programs.

Follow Through is costing only $7½ million. That is hardly a blip on Cap Weinberger's computer screen over there. A blip doesn't probably register so much, and while I would hope that if we folded this into chapter 2, these programs would continue. However, we had testimony from the person in charge of the Follow Through Program in Flint, MI, where you and I have spent a great deal time, who said that that would not be the case; that just the fiscal pressure alone, both on the State and the local level, would make it impossible to sustain this program. I think that is really the case.

With that background in mind, I'll give you the question. What information do you have regarding the specific use of chapter 2 funds by State and local educational agencies? How are they using those funds? What programs are still being sustained that were terminated back in 1981?

Mr. DAVENPORT. Mr. Chairman, some of the chapter 2 funds are already being used for Follow Through type activities. For example, gifted and talented was a separate categorical program. Our figures show that last year more money was spent on gifted and talented under chapter 2 than under the former categorical program. There are all kinds of activities like this that used to be funded under separate categorical programs, and that districts are continuing under chapter 2.

Mr. KILDEE. It is encouraging that more money is being used for the gifted and talented, but some of the other programs must be suffering.

Mr. DAVENPORT. Again, part of the—some of the innovation or the greatness of chapter 2 is that it allows the local districts to decide what are their No. 1, 2, 3, and 4 priorities and to begin to design programs to use their chapter 2 funds at that level. Some districts have found Follow Through activities to be a high priority in their districts and have used chapter 2 funds for Follow Through.

Other districts have found that other programs, such as the more universally available chapter 1 program, could adequately address their needs in this area. Still others have used a combination of their chapter 2 and other programs to fund to Follow Through activities. Again, it depends on the priorities of the local district and the goals which the school board and the superintendent decide on.

Mr. KILDEE. You think that if we would transfer this and other programs over to chapter 2, that the money would follow those programs and continue to grow within the chapter 2 appropriation. It hasn't grown much in this case here.

Mr. DAVENPORT. I would believe that any program--if I were running the program—I can't speak for anyone else who runs a program. However, if I had been offering a program in a local district for some 16 years, and it has been a successful program, I believe that I would have been able to promote that program in such a way that the local school board would make it a priority for continuation.

It is amazing to me that supporters of programs which have been receiving Federal funds for 16 years say to you and to others that they will not be able to continue without Federal categorical funds. That does not speak well for what they have been able to accomplish in their own LEA's. I can only speak from my own experience. As you know Mr. Chairman, I directed the Challenge Program in Flint with the MOTT Foundation funding many years ago. That program is still operating, and without MOTT funding, because we were able to prove that it deserves first call on available dollars.

Ms. LETENDRE. If I could also add, Mr. Chairman, you are speaking of entire programs. We who have been in education and out at the local level recognize that some of the contributions of Follow Through are pervasive in many of our school districts, the instructional practices and strategies that have been researched and have been found to be effective, such as time on tests. These are very, very important things. It is difficult to measure when you stayed with the program.

Much of the good of Follow Through is in place in many of the school districts across the country.

Mr. KILDEE. The only charge against Follow Through is that it serves such a small number of people. The numbers indicate 20,000 served directly, but through the network of dissemination, which is one of the great glories of Follow Through, we have been able to reach, about 400,000 people, and one could argue that when you count all dissemination, maybe over 2 million people.

It would seem that when we do have a successful program and others are able to copy it, that perhaps we should keep going with success. Tests have indicated that Follow Through is a successful program, and I think you can understand a certain congressional reluctance or hesitance to drop a program that has had that success beyond the numbers directly served.

Mr. DAVENPORT. Mr. Chairman, in a total education budget of $15.2 billion, we are looking at educational priorities and attempting to put the money where it can do the greatest amount of good. Our proposed budget maintains chapter 1 at its current level. It maintains chapter 2. We have added funds for magnet schools,

added money for science and math. Those are educational priorities.

We looked at the vast area we are attempting to address and the small number served under Follow Through. Part of the Follow Through mission was to demonstrate what could work. It has done that and now these learning strategies, these teaching strategies are available. We should not continue to fund, for an indefinite period of time, something which the legislative history shows very clearly was intended to be a demonstration project.

This is, I think, part of the reason we don't have a lot of innovation in Government. If you initiate a model, some 20 years later you will still be expected to continue funding the same demonstration. Follow Through and some of the other programs for which we are requesting rescissions are prime examples. In future years, we might get back to some innovation in Government if programs that were meant to be temporary programs ever get off the books.

Mr. KILDEE. This is my last question. I think that if we were convinced that most of these decisions were being made for good educational reasons rather than for fiscal reasons, we might find more comfort in that. But I do think that there is a suspicion here on Capitol Hill that many of these cuts and many of the terminations of programs are done more for fiscal reasons rather than for educational reasons.

I have repeated this at every subcommittee hearing I have had, so it is not new here. What I worry about is that this money taken from here, and this money taken from there, and $7½ million here, is all going to be used either to help pay Cap Weinberger's bill or pay, as I mentioned last Thursday, for the $1½ billion, $2 billion to build an airline so that we can fly to Tokyo in 2 hours, and that is a low priority as far as I am concerned.

Mr. DAVENPORT. Mr. Chairman, I can assure you that in this area we are proposing priorities. In this instance we are proposing as we have for the last few years, that Follow Through be eliminated. We would be proposing this whether GRH had passed or not. That is one of the programs which is a lesser priority in terms our total educational budget. I'm going to jump ahead of your questions Mr. Chairman. A couple of years ago I came before Congress and asked for a doubling of funds for chapter 2 because that gave more dollars to the local level where educational decisions are most appropriately made. The Congress said, no. Additional chapter 2 funds which would have increased the amount of money the schools could have used for projects like this was a big no to the Congress.

I think that this underscores the importance of educational priorities like chapter 1, chapter 2, magnet schools, science and math. Those kinds of programs have to take precedence over a narrowly focused program, even though we are only talking about $7½ here. I think it was one of your colleagues many years ago who said, a few million here, and a few million there, and eventually it adds up to real money. Every dollar that we spend on a narrowly focused program such as this is one less dollar that we can spend on service to the vast majority of disadvantaged young people in this country who need those resources.

Follow Through costs about $700 per student. That is more money per student than is presently on average spent per student in chapter 1, which is a more universally available program. If we are going to spend more money, it would seem appropriate to use it in chapter 1, as we have proposed in this budget.

Sally Christensen wanted to respond.

Ms. CHRISTENSEN. I just wanted to say that one other thing that we should keep in mind is that if you look at total education spending in the country, that has increased over the past 5 years by about $60 billion from $200 billion to $260 billion. That is about a 30-percent increase. Even if you adjust that for inflation, that is still a 10-percent increase over what we were spending about 5 years ago.

If the local educational agencies want to pick up this—and we expect that these totals will continue to increase each year in the future so that if an LEA wants to pick up any of these programs, I think they do have sufficient resources now, which they did not have maybe 3 or 4 years ago to pick these up and make them priorities.

Mr. KILDEE. I understand that. I do think that because we are a mobile society, however, and because we do have certain national purposes in education, that the Federal role should not be diminishing. I tell people that a few years ago I was in the airport at St. Louis, MO, and ran into one of my former students who had gone to high school in Flint, MI, had done his undergraduate work in the East, come back to the Midwest to do his graduate work, and was on his way to California for a very high paying job in the computer industry. The mobility demonstrated by that person indicated to me that there is a Federal concern.

I always feel that education is a local function. It is a State responsibility, but a very important Federal concern, and I do worry about the diminution of that Federal concern. I am grateful that because the economy has picked up, local school districts and SEA's have been able to do more, but they are subject to the ephemeral nature of the economy, too.

I certainly hope that this recovery will be sustained, but I know what will happen in Flint, MI, if we go back to where we were 3 or 4 years ago with both the State dollars and the local dollars really lessened for that support.

Ms. CHRISTENSEN. It is also true, Mr. Chairman, that in our total budget for the Department, which really represents less than 7 percent of the total expenditures, we are going down 14 percent in total from 1986 rescissions all the way through fiscal year 1987. But, two of the Secretary's highest priorities were, first, elementary and secondary education, and, second, handicapped populations, so that the big programs that support all of those populations, including third priority for quality, which takes the block grant into consideration, is level funded and held intact and actually restored. They have increases back up to the 1985 levels.

Mr. KILDEE. Thank you.

Tom, you have been very patient.

Mr. TAUKE. Thank you, Mr. Chairman.

Dr. Davenport, how many districts currently have a Follow Through Program?

Ms. LeTendre. There are 58 districts that currently have a Follow Through Program.

Mr. Tauke. That receives Federal funding?

Ms. LeTendre. Yes, 16 of them receive a grant for resource center as well, and then there are 15 sponsors which are universities who receive grants from us.

Mr. Tauke. Outside those 58 school districts that have a Follow Through Program, that are federally funded, how many districts would have a Follow Through Program that is not federally funded?

Ms. LeTendre. I don't think we have any handle on file to prove it. We know that a survey conducted by the Follow Through Association indicated about 700 communities were involved in Follow Through practices. It is difficult to equate them to a total Follow Through Program similar to those that we are funding.

Mr. Tauke. Fifty-eight is a very small number nationwide. How many districts do we have nationwide?

Ms. LeTendre. Over 14,000.

Mr. Tauke. Over 14,000. How to these 58 happen to have the funding from the Federal Government, and the more or less other 13,900 don't?

Mr. Davenport. They were lucky enough to get on the initial funding list about 20 years ago and they have been funded ever since. As the funds have decreased, the number of sponsors has decreased.

Mr. Tauke. Have there been any new ones in the last 5 years?

Mr. Davenport. No, sir.

Mr. Tauke. New ones in the last 10 years?

Mr. Davenport. Not since 1972, sir.

Mr. Tauke. Are we dropping any?

Mr. Davenport. Yes, there are some who each year, as the funds have been reduced, have decided not to reapply.

Mr. Tauke. I don't want to be parochial, but I will. Do you know if there are any in Iowa.

As long as we are asking, we may as well look at Michigan too.

Mr. Davenport. There is one in Flint.

Mr. Kildee. That was before I got here.

Ms. LeTendre. Yes, there is one in Iowa.

Mr. Tauke. Oh, good. Where is it? I would just like to check it out and find out what they are doing with it.

Ms. LeTendre. I'll find it for you in a minute.

Waterloo.

Mr. Tauke. Waterloo, OK. And there is one in Michigan, too?

Ms. LeTendre. Flint.

Mr. Tauke. They tend to spread them around the country a little bit, then, anyway.

I guess the thing that seems quite obvious to be me is that a few people have their hands on the money, and it is maybe helping those areas, but it is hardly a national program, and I assume for the moment that Congress should continue the program, is there some way that we could break the hammer hold that these few districts have on the funding?

Ms. CHRISTENSEN. It is in the basic law. The basic law says that the projects that are currently operating are the ones that will continue.

Mr. TAUKE. That is in current law?

Ms. CHRISTENSEN. Yes.

Mr. DAVENPORT. And I don't want to leave you with the impression that it applies only LEA's. It is also the sponsors. You should also note that indirect cost rates for sponsors range from 8 percent to 76.1 percent. It is not my intent to question these rates. However, it is important to recognize the differences and that these funds do not go to provide direct services to the children.

Mr. TAUKE. Just a minute. 76.1 percent?

Mr. DAVENPORT. Yes.

Mr. TAUKE. You mean if somebody gets $100, $76 is going for indirect costs to the sponsor? What do these sponsors do for that?

Mr. DAVENPORT. They provide technical assistance, research, and training to the local LEA's.

Mr. TAUKE. Who are the sponsors? Universities?

Mr. DAVENPORT. Mainly universities and one educational development laboratory.

Mr. TAUKE. Do we have a listing of the sponsors? OK. So in any event in order to break the hammer hold the sponsors and the LEA's have on the program, we would have to change the law, is what you are telling us.

Mr. DAVENPORT. Yes, sir.

Mr. TAUKE. It is not a regulatory matter.

Ms. CHRISTENSEN. I think your point, though, is very well taken. Even if you did change the law and allowed 58 different projects to be funded, you are still talking about only 58 out of a total 14,000, so there is still an equity problem, so to speak.

Mr. TAUKE. What benefits do the other 14,000 school districts get from these 58?

Mr. DAVENPORT. Projects that are approved by the JDRP are put into the National Diffusion Network, and anyone who is interested in the Follow Through strategies can avail themselves of this and implement them at their own cost. That is one method of dissemination. Follow Through materials could also be disseminated through the ERIC Center, which the Federal Government is already paying for.

Most researchers go to libraries. You could put a lot of this material in libraries.

Mr. TAUKE. Are we uncovering any new strategies over the last 2 or 3 years?

Mr. DAVENPORT. There have been modification strategies. But, sir, as I look at educational research, there hasn't been any dramatic change that would point out to me that separate funding of Follow Through is necessary to continue that research.

They talk about longitudinal studies, but we have had 16 years of longitudinal studies—which is a long period of time.

Mr. TAUKE. Explain what that is. I don't think I know what kind of study that is.

Mr. DAVENPORT. I have been advised that one of your witnesses earlier in the week mentioned that the longitudinal study would be damaged if we do not have continued funds.

Mr. TAUKE. That's what happens.

Mr. DAVENPORT. Yes, what happens to the participants. We now have some 16 or more years of longitudinal studies. Many of the original Follow Through students should be either in high school or college by now. Then you want to follow them through grad school.

Ms. CHRISTENSEN. Which is why we say the program has really achieved its purpose, and we have all of these models that can be disseminated that are already being picked up around the country. After spending almost $800 million, we think that that is——

Mr. TAUKE. If we eliminate the $7 plus million that is funded for this program, will the dissemination of materials still be continued by the department?

Mr. DAVENPORT. We are going to put together a resource book that will provide a lot of this material. We are going to complete it this year. We would also try to enter most of this material into the ERIC system so it will be available. We would also try to, get some of this material into libraries and the National Diffusion Network is already disseminating Follow Through materials.

I should also add that any of these projects that have been approved as models could apply to the National Diffusion Network for funding. They are already members, but all their funding comes from Follow Through rather than from the National Diffusion Network. The project would then have the opportunity to compete like other programs, which are identified as models across the country, for JDRP funding. If that funding is awarded, they would have the same right to go out and disseminate their materials.

Mr. TAUKE. How were these 50 or whatever school districts selected in the first place?

Mr. DAVENPORT. There was national competition back in 1968.

Mr. TAUKE. And they would have to develop the program, and then submit the program for——

Mr. DAVENPORT. Full review at that time.

Mr. TAUKE [continuing]. But there has been nothing since, so those could be pretty lousy programs. Somebody else could have a new idea. I mean a school district that would have some great new idea now, they are out in the cold.

Mr. DAVENPORT. They could not receive funding under Follow Through. But as the Assistant Secretary from HHS pointed out, HHS is funding transitional activities, and they address the much larger Head Start Program in their efforts.

Mr. TAUKE. I thank you for testimony.

Mr. KILDEE. Thank you, Tom.

Mr. TAUKE. I was going to offer a commentary about how Cap would be proud of the budget. I skipped that.

Mr. KILDEE. You asked if there were any lousy programs? Are there any lousy programs in Follow Through?

Mr. DAVENPORT. No, sir; we don't know of any lousy programs.

Mr. KILDEE. I'm sure there aren't. I'm sure that they are really exemplary programs.

Mr. DAVENPORT. I know that surprised some of the audience.

Mr. KILDEE. I know you are an honest guy, Larry. I know of no lousy programs. We all would recognize that they are exemplary programs. You are only spending $7½ million for it, and $7½ million is much less than what we had originally anticipated, and I

wasn't here when Flint was chosen, by the way. I was still back in the State legislature.

That $7½ million will go do much more. I think many students, way beyond the number directly served, have been served because these have been exemplary programs. You know, we only give $7½ million; maybe we should increase it to $75 million or $750 million and serve more people.

I would like to do that. I would so move if I could get a second on that.

I do know that the National Diffusion Network does disseminate model programs well to local school districts. There is a good relationship there. I think we would all concede that under Follow Through at least 400,000 people would be touched each year. I have heard figures saying as many as two million. I myself am not prepared to document that, but I think it is well beyond the 400,000.

I wish that the National Diffusion Network, by the way, had a separate authorization. I am chief sponsor of a bill to give it a separate authorization. Now it's just in the Secretary's discretion. I am still pushing to give it its separate authorization.

I guess the big question is, is Follow Through helping kids? That's the bottom line: Is it helping kids?

Mr. DAVENPORT. Yes, sir.

Mr. KILDEE. And I am convinced it is. I just hate to cut back even $7.5 million if we're helping kids, both those directly served, and then those being served because of a good relationship between the university and the LEA's sharing those programs with other people.

You mentioned that the fiscal support for this program has lessened or not grown. Some do drop out. I wonder if they drop out because they are unable to carry on the program or just unwilling. I think a lot of it is that they are unable to carry on the program. So, if we drop the $7.5 million, wouldn't that also indicate that some would drop out because they are unable to carry on the program?

Mr. DAVENPORT. I think some of them may not continue as separate Follow Through Programs, which call for additional staff. But many of the Follow Through strategies which have been developed would be utilized in school districts where you have successful programs and successful instructional innovation in the program. I don't think you can make an across-the-board statement like that and say that. I think if you went to some of the districts in which separate Follow Through projects are no longer funded you would find some Follow Through kinds of activities and strategies in use in those districts.

I don't think you always need an identifiable program with additional staff. I think, Mr. Chairman, as you said, there are very successful Follow Through projects.

I think the key to the whole process, if we don't have an infinite budget, is ask: OK, what are going to be your priorities? It's the same way you handle your own budget; you don't have endless funds. So much goes to support the kids in college. So much goes to support the kid at home. You need so much for food and rent.

In building an educational budget you ask what are the priorities? What are you going to do with the funds available? Are you

going to serve the disadvantaged? And you say, yes, we're going to do that. The major program, serving educationally disadvantaged children is chapter one. If you decide that increased local control of education is a priority, then you put funds into chapter two.

If you say we also have a need for science and math, then you try to do something in science and math. We see magnet schools are working in this part of the country. Then we ought to do something to try to move that effort across the board, because, as the Secretary's report card just pointed out, the educational upward mobility which has been moving across this country has moved up everyone. As we are making gains and not only for the disadvantaged but for the middle class and upper-middle class as well, our funding priorities should reflect these successes.

I don't think we can continue, Mr. Chairman, to try to fund everything. I think we ought to fund the activities that provide the greatest benefit to the population we want to serve.

Mr. KILDEE. I wouldn't worry quite so much if that money is being kept in the education house. But I am worried that the money is going to be used for the Weinberger house next door for a new coat of paint. That's what I am really worried about. The President has asked for increased real dollars for the Department of Defense. That means that they have to get them someplace else. They are not going to get them from taxes, because the President has said: that over his dead body will taxes be raised.

The guy next door by the name of Cap Weinberger is looking out his window to our education house, trying to find some way to paint his Department's house by taking resources from our house.

That is what I worry about, really. If this money was kept within the education department house, I think I would feel a lot more comfortable, really.

I know your own personal background, that you will fight to keep that within our own house. But there are forces beyond us, such as OMB, that are trying to pull some money over to the house next door, Cap Weinberger's house. That's what I really worry about.

I really appreciate your testimony. It has been good and thorough. It has been candid. We will continue these discussions. We will have some disagreements, but that will not in any way impair the high regard in which I hold you. I know you are dedicated to education. I know the two people with you share that dedication.

Thank you very much.

Mr. DAVENPORT. Thank you, Mr. Chairman.

Mr. KILDEE. Thank you.

Our next witness is J. William Gadsby, Associate Director, Human Resources Division, General Accounting Office, Washington, DC.

Your agency, I think, is in limbo right now, isn't it, in the courts?

Mr. GADSBY. I hope we're not in limbo. I think we are all curious as to how the Supreme Court will rule——

Mr. KILDEE. I just feel that you are so well thought of that both branches of government want to claim you in some fashion. It's a tribute to you.

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STATEMENT OF J. WILLIAM GADSBY, ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, ACCOMPANIED BY JOHN NEEDHAM, SENIOR EVALUATOR, HUMAN RESOURCES DIVISION, AND RICHARD H. HORTE, SENIOR EVALUATOR, HUMAN RESOURCES DIVISION

Mr. GADSBY. Mr. Chairman, we are here this morning to testify on two subjects, the Community Services Block Grant, as well as the Low Income Energy Home Assistance Block Grant.

I would like to introduce the people at the table with me this morning. On my left is John Needham. John has been the key person and the project leader for our work in community services. Dick Horte, on my right, has been the person in charge of our work on the Low Income Energy Block Grant.

I am going to try to summarize some of my remarks in the interest of time. I would ask that my entire statement be inserted into the record.

Mr. KILDEE. Without objection, it will be included in the record.

Mr. GADSBY. Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the Community Services and the Low Income Energy Home Assistance Block Grant. With respect to community services, GAO is just completing visits to 8 States to review 16 community action agencies, the primary recipients of Community Services Block Grant funds. The 16 community programs reflect the diverse character of the agencies nationwide. They range from urban programs in New York City to rural programs in Bonifay, FL. Half are publicly managed, and about half are run by private nonprofit organizations. The geographic areas they serve range from a single city to a 10-county area.

My testimony this morning will focus on a preliminary analysis of three major issues: What do community services funds support; do activities funded by the Social Services Block Grant and Community Services Block Grant duplicate each other; and how could the loss of CSBG funds affect community action agencies?

Community Services Block Grant fund supports both services and administration. Eleven of the agencies we visited used 70 percent or more of their 1985 CSBG funds to deliver services to the poor. The most commonly funded services were information, referral, and outreach activities; emergency services, such as providing groceries or temporary shelter; and nutrition services such as self-help gardening and food-canning projects. Agencies also used their CSBG funds to help individuals obtain financial assistance for housing, to train home day-care providers, arrange transportation and provide home meals for the elderly, ill, and handicapped.

These same 11 CAA's used less than 30 percent of their 1985 CSBG funds for administrative expenses. The other five agencies used amounts ranging from 31 percent in Los Angeles to 58 percent in Steuben County, NY. These funds primarily paid office expenses, such as salaries of the executive director and fiscal officer.

Most CAA officials told us that CSBG plays an important role in supporting the administration of certain other Federal programs. For example, Agriculture's Surplus Commodity Food Program provides for no administrative costs, and Energy's weatherization pro-

gram provides 5 percent. In such situations, CSBG funds are used to pay the administrative costs that exceeded allowed amounts.

Essentially, CSBG is viewed as the discretionary money that enables agencies to identify community needs, provide services not available under other Federal or State programs, and support administrative operations.

Moving now to the issue of duplication with the Social Services Block Grant, our preliminary analysis shows that in most instances the CSBG-supported services do not duplicate those provided by the local social services agency. In the communities we visited, CSBG-supported services were often targeted to fill specific unmet needs. For example, the CAA's frequently used CSBG funds to support nutrition and transportation programs, which are not eligible for Social Services Block Grant funding.

In some instances, however, Community Services Block Grant-supported services did, on the surface, seem similar to those provided by the local social services agency. But a closer inspection during our onsite reviews showed that in all but one case either the types of clients served or the specific services offered were quite different.

In Newport, VT, for example, the Social Services agency provided actual day-care services while the community action agency used CSBG funds to support the training of day-care personnel. Both are labeled day-care services. In Detroit, the social services transportation program provided medically related transportation for the elderly, while the CAA's program provided nonmedical transportation needs.

CAAs and local social services agencies are usually aware of each other's services and try to prevent duplication. For example, in El Paso County, CO, a local official told us that a local agency serves as a clearinghouse for services to low-income persons, and both public and private agencies check with this clearinghouse before providing services to new clients.

At this point, Mr. Chairman, I would like to stop and introduce an attachment to my statement that we provided to the staff this morning. If you have it in front of you, I can just run down it momentarily.

Mr. KILDEE. Attachment one here?

Mr. GADSBY. Yes, that's correct.

Basically, what this attachments shows, if you look at the first column, that is for all the locations we visited, those are the individual services at a social service agency that were supported with Social Services Block Grant funds.

The second column moves to the community action agency. It gives you total services supported by Community Services Block Grant funds.

The third column deals with what we found at the community action agency. Basically, the third column shows the number of services that were different, totally different at the community—the Community Block Grant-supported services that were totally different from those at the local social services agency.

If you look down the bottom to the total column, you see that represents about 60 percent of the total.

The next column shows those services which were similar. That represented about 40 percent of the total.

These similar services are the one that we went back to the community action people and the social services agency people and talked with them about just what they did under these services. It was there that we found only one instance of duplication. And that was in Hattiesburg, MS, where both the social services and community action program had an emergency program that provided cash payments to poor people in emergency situations. Neither was aware of the other's program there.

Moving on to the impact of terminating Community Services Block Grant, nationwide CSBG provided about 11 percent of the community action agencies' total budgets in 1984. For the 16 locations we visited, CSBG's share of total funding in 1985 ranged from 3 percent in Des Moines to 33 percent in Denver. It amounted to less than 11 percent at nine locations. This proportion represents a decline since 1981, when CSBG supported less than 11 percent at only four locations.

Essentially, the point here, Mr. Chairman, is that the trend seems to be that CSBG is supporting a smaller and smaller share of agencies' total budgets. Nevertheless, even though CSBG funds represent a small proportion, directors told us that these funds are very important in both the administration area as well as the service delivery area.

How the loss of CSBG funds would affect agencies is not certain at this time. However, two factors could influence their ability to continue operations.

First, some suggest that existing Federal and State grants could be used to fund administrative operations now funded by CSBG. However, at all but two of the locations we visited, other grants were being charged the full amount allowed for administrative expenses.

Second, State and local governments could fund CAAs by replacing lost CSBG funds. While State and local actions cannot be predicted at this time, it should be noted that, when community services funds were reduced in the early 1980's, only three of the localities we visited and two of the States mitigated the cuts by contributing their own funds. While the State and local officials we talked to were generally supportive of CAA activities, none thought their State or local governments would replace lost CSBG funding.

Turning now to the low-income program, GAO has just completed telephone surveys to the 13 States that were included in our previous review of this program in order to assess the impact of the 1984 amendments to this block grant are having on three aspects of the program: Funding, eligibility policies, and crisis assistance.

The 13 States included a diverse cross-section of the country and accounted for about 46 percent of the appropriation in 1985 and about 49 percent of the Nation's low-income households.

The 1984 amendments, which changed the allocation formula as well as the administrative expense and carryover provisions, began to influence State spending patterns in 1986. The most significant change relates to the allocation formula. Seven of the 13 States contacted received 1986 allotments that were about 5 percent lower

than 1985 levels, while six States received allotments up to 10 percent higher.

Of the States receiving lower allotments, only Massachusetts reported receiving State funding. However, Massachusetts has been supplementing this program for several years.

Overall, the feeding and crisis assistance components are at the same or higher funding levels than in previous years, accounting for 65 percent and 12 percent respectively of 1986 estimated expenditures.

Planned expenditures for administration in 1986 are also higher in 9 of the 13 States, reflecting a continuing upward trend in this area. Decreases are expected in the three States where 1985 administrative costs were already at or near the Federal ceilings. These decreases were caused by reduced allotments as well as the 1984 amendments, which narrowed the base for computing administrative costs.

In contrast, the 13 States are anticipating an overall funding decline of 22 percent in the weatherization component for 1986, ranging from 4 percent in Massachusetts to 59 percent in New York. In total, eight States plan to reduce weatherization.

All but one of the nine States that had previously transferred funds to other programs continued such transfers at the same rate. Transfer decisions were generally made at levels above the program office and most often they were made to the Social Service Block Grant.

As a result of the 1984 amendments, States can now carry over only 15 percent of their allotment net of transfers instead of the 25 percent of their total allotment that was allowed previously. This change has had little effect on States. Overall, funds carried over to 1986 averaged about 4 percent. Only Colorado had carryover funds above the new limit, and as a result had to return about $252,000 to HHS.

An additional funding factor this year is the Gramm-Rudman-Hollings budget reductions. Although total program funding was cut by 4.3 percent, these reductions were not allocated proportionally to all States. Rather, HHS reduced total program funding by the required percentage and then allocated funds among the States using the program formula. The result was that cuts in State allocations nationwide ranged from zero in States that were already at the funding hold harmless level, to 11 percent in other States. The practical effect of this approach was to offset the increases States were to receive under the new formula.

The six States we contacted that were affected by these reductions said they were just starting to consider how to respond to them.

The 1984 amendments prohibited States from setting eligibility limits lower than 110 percent of the poverty level, and excluding income eligible households from receiving assistance.

Eight of the 13 States were already operating programs that complied with the eligibility changes. However, four States had to raise their eligibility ceilings, and two had to include income eligible people in their program.

Similar to the eligibility area, most States did not have to change the operation and duration of their crisis program. All 13 said that

they were in compliance with the requirement that they identify the amount of funds available for energy crisis intervention and ensure their availability for crisis assistance through March 15 of their program year.

The amendments also broadened the definition of energy crisis intervention to include household energy related emergencies beyond weather and supply shortages. Only two States reported making changes to their definition of crisis intervention.

In addition, the 1984 amendments contained a new provision requiring that crisis assistance programs be administered by public or nonprofit organizations which already have experience in administering crisis program as well as assisting low-income families, and had the capacity to administer a timely and effective program. Only one State changed the local administering agency. Seven other States continued to use the local welfare office because they believed these offices had the necessary experience.

Mr. Chairman, that concludes my prepared statement. Myself and the other gentlemen here will be happy to respond to any questions you might have.

[The prepared statement of J. William Gadsby follows:]

United States General Accounting Office

Washington, D.C.

FOR RELEASE ON DELIVERY

EXPECTED AT 10:00 A.M. EST

MONDAY, FEBRUARY 24, 1986

STATEMENT OF

J. WILLIAM GADSBY, ASSOCIATE DIRECTOR

HUMAN RESOURCES DIVISION

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

HOUSE COMMITTEE ON EDUCATION AND LABOR

ON THE

COMMUNITY SERVICES BLOCK GRANT

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Community Services Block Grant (CSBG). GAO is just completing visits to eight states to review 16 community action agencies (CAAs), the primary recipient of CSBG funds. The states are: California, Colorado, Florida, Iowa, Michigan, Mississippi, New York, and Vermont. The 16 community action programs reflect the diverse character of CAAs nationwide. They range from urban programs in New York City to rural programs in Bonifay, Florida. Half are publicly managed and about half are run by private non-profit organizations. The geographic areas they serve range from a single city to a 10 county area. In addition to visiting CAAs, we discussed the community action programs with social services agency officials and top local government officials in the same communities.

My testimony this morning will focus on our preliminary analysis of three major issues:

--What do CSBG funds support?

--Do activities funded by the Social Services and Community Services block grants duplicate each other?

--How could the loss of CSBG funds affect CAAs?

CSBG SUPPORTS BOTH SERVICES AND ADMINISTRATION

Eleven of the 16 CAAs we visited used 70 percent or more of their 1985 CSBG funds to deliver services to the poor. The most commonly funded service funded by the 16 CAAs were (1) information, referral, and outreach activities; (2) emergency services, such as providing groceries or temporary

shelter; and (3) nutrition services, such as self-help gardening and food-canning projects. CAAs also used their CSBG funds to help individuals obtain financial assistance for housing, train home day-care providers, arrange transportation, and provide home meals for the elderly, ill,and handicapped.

These same 11 CAAs used less than 30 percent of their 1985 CSBG funds for administrative expenses. The other five CAAs used amounts for administration ranging from 31 percent in Los Angeles to 58 percent in Steuben County, New York. These funds were used primarily to pay office expenses, such as salaries of the executive director and fiscal officer.

Most CAA officials also told us that CSBG plays an important role in supporting the administration of certain other federal programs. For example, Agriculture's surplus commodity food program provides no administrative expense funding, and Energy's weatherization program provides 5 percent. In such situations, CSBG funds are used to pay the administrative costs that exceed allowed amounts.

Essentially, CSBG is viewed as the discretionary money that enables CAAs to identify community needs, provide services not available under other federal or state programs, and support administrative operations.

CSBG-FUNDED SERVICES COMPLEMENT RATHER THAN DUPLICATE SSBG-FUNDED SERVICES

Our preliminary analysis shows that in most instances, the CSBG-supported services do not duplicate those provided by the local social services agencies. In the communities we visited, CSBG-supported services were often targeted to fill specific unmet needs. For example, the CAAs we visited frequently used CSBG funds to support nutrition and transportation programs, which are not eligible for Social Services Block Grant funding.

In some instances, CSBG-supported services did, on the surface, seem similar to those provided by the local social services agency. But, closer inspection during our on-site reviews showed that, in all but one case, either the types of clients served or the specific services offered were quite different. In Newport, Vermont, for example, the social services agency provides daycare services while the community action agency uses CSBG funds to support the training of day-care personnel. Both are labeled day-care services. In Detroit, the social services transportation program provides medically related transportation for the elderly, while the CAA's transportation program provides for non-medical transportation needs, such as grocery shopping.

CAAs and local social services agencies are usually aware of each other's services and try to prevent duplication. For example, in El Paso, County, Colorado, a local official told us

that a local agency serves as a clearinghouse for services to low-income persons, and both public and private agencies check with this clearinghouse before providing services to new clients.

As previously mentioned, in only one instance did we find duplicative types of services. Both the local social service agency and the community action agency in Hattiesburg, Mississippi, provided a similar emergency service, which included cash payments to the poor. Neither was aware of the other's program.

LOSS OF CSBG FUNDS COULD AFFECT CAAs

According to the CSBG's national voluntary reporting system, CSBG provided about 11 percent of community action agencies' total budgets in 1984 on a nationwide basis. For the 16 locations we visited, CSBG's share of total CAA funding in 1985 ranged from 3 percent in Des Moines to 33 percent in Denver and amounted to less than 11 percent at nine locations. This proportion represents a decline since 1981, when CSBG provided less than 11 percent of total funding at only four of the locations we visited. However, even though CSBG funds represent a small proportion of total funding, CAA directors told us that these funds are very important in administration and service delivery.

How the loss of CSBG funds would affect CAA's is not certain at this time. However, two factors could influence their ability to continue operations.

First, some suggest that existing federal and state grants could be used to fund administrative operations now funded by CSBG. However, at all but two of the CAAs we visited, other grants were being charged the full amounts allowed for administrative expenses.

Second, state and local governments could fund CAAs by replacing lost CSBG funds. While state and local actions cannot be predicted when community services funds were reduced in the early 1980's, 3 of the 16 localities and two of the eight states we visited mitigated the cuts. While the state and local officials we talked to were generally supportive of CAA activities, none thought their state or local governments would replace lost CSBG funds.

This concludes my statement and I would be pleased to respond to any questions you may have.

Attachment I

Attachment I
2/24/86

U.S. General Accounting Office
Preliminary Analysis of CSBG and SSBG Supported Services

Community Action Agency Visited	Number of services provided		Number of CSBG services		Number of duplicative services
	SSBG	CSBG	Different	Similar	
CALIFORNIA					
Shasta County Community Action Agency	9	5	3	2	-
City of Los Angeles Community Action Agency	9	10	7	3	-
COLORADO					
Denver Department of Social Services	2	3	3	0	-
El Paso County Department of Social Services	2	5	5	0	-
FLORIDA					
Tri-County Community Council, Inc.	10	5	4	1	-
Dade County Community Action Agency, Inc.	10	10	6	4	-
IOWA					
City of Des Moines, Office of Neighborhood Services	10	6	2	4	-
Hawkeye Area Community Action Program, Inc.	16	7	1	6	-
MICHIGAN					
City of Detroit, Neighborhood Services Department	11	5	3	2	-
Northwest Michigan Human Services Agency	10	4	2	2	-
MISSISSIPPI					
Pearl River Valley Opportunities, Inc.	16	3	0	3	1
Gulf Coast Community Action Agency, Inc.	2	4	4	0	-
NEW YORK					
New York City Community Development Agency	9	11	7	4	-
Steuben County Economic Opportunity Program, Inc.	7	10	7	3	-
VERMONT					
Northeast Kingdom Community Action, Inc.	5	6	4	2	-
Champlain Valley Office of Economic Opportunity	6	9	6	3	-
Totals	134	103	64	39	1

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STATEMENT OF

J. WILLIAM GADSBY, ASSOCIATE DIRECTOR

HUMAN RESOURCES DIVISION

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

HOUSE COMMITTEE ON EDUCATION AND LABOR

ON THE

LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Mr. Chairman, and members of the Subcommittee:

I am pleased to be here today to discuss the impact that the 1984 amendments to the Low Income Home Energy Assistance block grant are having on three aspects of the program: funding, eligibility policies, and crisis assistance. GAO has just completed telephone surveys to the 13 states that were included in our previous review of this program: California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington. These states include a diverse cross-section of the country and accounted for about 46 percent of this program's appropriation in 1985 and about 49 percent of the nation's low income households. We also obtained data from HHS on funding and program characteristics which it had obtained from the 13 states.

ALLOTMENT CHANGES ARE BEGINNING TO AFFECT SPENDING PATTERNS

The 1984 amendments which changed the allocation formula, as well as the administrative expense and carryover provisions began to influence state spending patterns in fiscal year 1986.

The most significant change relates to the allocation formula. Seven of the 13 states received 1986 allotments that were about 5 percent lower than 1985 levels, while six states received allotments up to 10 percent higher. Of the seven states receiving lower allotments, only Massachusetts reported receiving state funding. However, Massachusetts has been supplementing the program for several years.

Overall, the heating and crisis assistance components are, for the most part, at the same or higher funding levels than previous years, accounting for 65 percent and 12 percent, respectively, of 1986 estimated expenditures in the 13 states. However, 3 of the 7 states with lower allotments said that benefit levels or recipients served would be reduced for their heating programs. An additional state said it had reduced its set aside for crisis by about 5 percent.

Planned expenditures for administration in 1986 are higher than 1985 in 9 of the 13 states reflecting a continuing upward trend. Decreases are expected in 3 of the 13 states where 1985 administrative costs were already at or near the Federal ceiling. These decreases were caused by reduced allotments as well as the 1984 amendments which narrowed the base for computing allowable administrative costs. Colorado officials commented that a 12 percent decrease in the amount reserved for administrative costs was expected to result in staff reductions at local offices and delays in preocessing applications.

In contrast, the 13 states are anticipating an overall funding decline of 22 percent in 1986 within the weatherization component for this program ranging from 4 percent in Massachusetts to 59 percent in New York. In total, 8 of the 13 states reduced weatherization funding with six of these states coming from the seven that received lower allotments in 1986.

All but 1 of the 9 states that had previously transferred funds to other programs continued such transfers at the same rate. These state decisions were generally made at levels above the program office. Most often, transfers were made to the social services block grant which several states said incurred funding reductions. Only New York reduced its rate of transfers and this was due to the cut in its allotment.

As a result of the 1984 amendments, states can now carryover only 15 percent of their allotment net of transfers instead of 25 percent of their total allotment. This change had little effect on states. Overall, funds carried over to 1986 averaged about 4 percent of the 13 states' total 1985 allotment. Only Colorado had carryover funds above the new limit and, as a result, had to return about $252,000 to HHS.

An additional funding factor this year is the Gramm-Rudman-Hollings budget reductions. Although total program funding for 1986 was cut by 4.3 percent, these reductions were not allocated proportionally to all states. Rather, HHS reduced total program funding by the required percentage and then allocated funds among the states using the program formula. The result was that cuts in state allocations nationwide ranged from zero in states already at the funding hold harmless level, to as high as 11 percent in other states. The practical effect of this approach was to offset the increases states were to receive under the new formula.

The six states we contacted that were affected by these reductions said they were just starting to consider how to respond to the cuts.

FEW CHANGES NEEDED IN STATE ELIGIBILITY POLICIES

The 1984 amendments prohibited states from setting eligibility limits lower than 110 percent of the poverty level, and excluding income eligible households from receiving assistance.

Eight of the 13 states were already operating programs that complied with the 1984 eligibility changes. However, four states (Florida, Kentucky, Michigan, and Texas) had to raise their eligibility ceilings and two states (California and Texas) had to include income eligible households in their program. These states generally expected an increase in the participation of income eligible households and the working poor.

FEW CHANGES NEEDED IN THE CRISIS PROGRAM

Similar to the eligibility area, most states did not have to change the operation and duration of their crisis program to comply with the 1984 amendments. All of the 13 states said that they were in compliance with the requirement that they identify the amount of funds available for energy crisis intervention and ensure their availability for crisis assistance until March 15 of their program year.

The amendments also broadend the definition of "energy crisis intervention" to include household energy related emergencies beyond weather and supply shortages. Only two states (Kentucky and Florida) reported making changes to their definition of crisis intervention to comply with the 1984 amendments.

In addition, the 1984 amendments contained a new provision requiring that crisis assistance programs be administered by public or non-profit organizations which already had experience in administering crisis programs and in assisting low income families, and had the capacity to administer a timely and effective program. Only one state changed the local administering agency used in the crisis program subsequent to the 1984 amendments. Seven other states continued to use their local welfare offices to administer the crisis program because they believed these offices had the necessary experience.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions.

Mr. KILDEE. I very much appreciate your testimony. Obviously, I am pleased with it because—I can be subjective; you're very objective in your agency—but it certainly runs counter to the claims made by the administration on duplication.

I don't know where they got the basis for their claims, because your testimony, in my mind, clearly repudiates that.

Your statement indicates that community action agencies and local social service agencies are usually aware of each other's services and try to prevent duplication. Can you give any examples of what specific types of actions are being taken by these agencies to prevent duplication?

Mr. GADSBY. Yes. I think their efforts focus on two frontiers. From a strategic or planning standpoint, if you look at the social services agency, they tend to focus on providing mandated services, or services that are mandated by the State. The community action agencies, on the other hand, tend to seek out the unmet needs in the community and to provide services specifically to meet those needs. Hence, the saying that they try to fill gaps in services, if you will.

On the day-to-day local service delivery level, there are probably a variety of techniques that are clearinghouse techniques or client referral techniques that each of these agencies has that strive to eliminate duplication.

I think Mr. Needham can perhaps give an example or two of that.

Mr. NEEDHAM. Mr. Chairman, in Gulfport, MI, they have a program whereby Catholic Social Services, the Salvation Army, and the United Way will screen clients coming in and require them to have an application from the community action agency before they will provide any services that are somewhat similar that the community action agency provides.

Also, another example would be in Polk County, IA, where there is a coordinating board of the social service agencies that will screen and oversee the types of policies and programs that are provided, to provide coordination at that level.

Mr. KILDEE. In your experience, are these types of arrangements where they try to make sure they don't duplicate commonly done?

Mr. NEEDHAM. Either formal or informal. There are probably more informal arrangements that formal.

Mr. KILDEE. Informal where they still meet the objective, though, of trying to avoid duplication?

Mr. NEEDHAM. Yes, that's correct.

Mr. KILDEE. Did your investigators receive any information as to the amount or quality of the technical assistance provided to States by the Office of Community Services?

Mr. GADSBY. We did get some information on that. Three of the States that we visited had requested technical assistance. All three of those States said that they were satisfied with the assistance that had been provided by the Department.

The assistance tended to focus in the area of planned development and regulation interpretation.

I would like to point out that, in terms of a Federal role in this as a block grant, that the administration's and HHS's position is that the Federal role is very, very small, that it has extended to

essentially reviewing applications for completeness when they come in and sending out the money, that HHS is not taking the position that they are to approve applications or to be deeply involved in interpreting regulations, and so forth. Instead, it's the State procedures that are supposed to control that.

Mr. KILDEE. You testified that the only duplication your survey found was one instance in, I think it's Hattiesburg, MS, where——

Mr. GADSBY. That's correct.

Mr. KILDEE [continuing]. Both the CAA and the social services office provided cash payments to the poor. The provision of emergency payments or loans is authorized under the Community Services Block Grant but prohibited under the Social Services Block Grant. Do you know if the Secretary of HHS has waived that prohibition for SSBG in Mississippi?

Mr. GADSBY. I don't know that. John?

Mr. NEEDHAM. The funding that was available in that particular case was approximately $300 a month. From what our data indicated, it wasn't so much a part of SSBG as it was a fund that was available in the local social service agency.

We can find out whether or not it was part of SSBG.

Mr. KILDEE. But your guess would be now that SSBG was the administrator of that other fund then, rather than using direct SSBG funds?

Mr. NEEDHAM. The administrator of the local social services agency, in addition to the SSBG funds, had other funds available that they could use for that purpose.

Mr. KILDEE. Will you get that specific answer for the record? You don't think they are using SSBG funds for that cash grant then.

Mr. NEEDHAM. That's right.

Mr. GADSBY. We will provide that for the record if we have that.

Mr. KILDEE. Thank you very much.

[The information follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

APR 10 1986

The Honorable Dale Kildee
Chairman, Sub-Committee on
Human Resources, Committee
on Education and Labor
U.S. House of Representatives

Dear Mr. Chairman:

This letter responds to your question during my testimony on the Community Services Block Grant before the subcommittee on February 24th. In my testimony I stated that GAO's preliminary analysis showed that CSBG-funded services generally do not duplicate those provided by the local social services agencies. However, in one instance we did find duplicative types of services. Both the local social service agency and the community action agency in Hattiesburg, Mississippi provided similar emergency services, which included cash payments to the poor. You requested that we determine if the funds used by the local social services agency for the provision of emergency services were Social Services Block Grant funds (SSBG).

We contacted the Department of Public Welfare in Hattiesburg and found that the department's emergency services program is not funded by SSBG, but rather is funded solely with county dollars. Should you wish any further information concerning this or any other matter please contact me or Mr. Paul Posner at 275-6169.

Sincerely,

J. William Gadsby
Associate Director

Mr. KILDEE. GAO assists Congress in trying to determine whether what we authorize and appropriate is being spent to carry out the intent of the Congress, in the authorizing committee and in the Appropriations Committee and in the full Congress. Do you find in general that the services provided by the CSBG were consistent with the intent of Congress providing assistance to the poor?

Mr. GADSBY. We didn't look at the effectiveness of these programs per se to get down and evaluate how well they were actually providing that type of assistance to the poor.

John, did you have anything?

Mr. NEEDHAM. No. Really, our focus was on the issue of duplication and also what services does the community action agency provide versus what a social services agency provides.

Mr. KILDEE. In general then, with the one exception in Hattiesburg, MS, you found no instance of duplication between the SSBG and the CSBG?

Mr. GADSBY. That's correct, we did not.

I would like to emphasize that we just completed getting this data in about a week ago. We will be analyzing it further. We don't expect that that trend would change at all. We may find a couple of other instances after we look at the data more closely, but we feel confident that the trend of nonduplication is a firm one.

Mr. KILDEE. As we say as we watch election returns, "if the present trend continues," right?

Mr. GADSBY. That would be a good way of saying it, yes.

Mr. KILDEE. Very good.

Mr. Horte, do you have any observations, anything you want to add? What particular area were you involved in?

Mr. GADSBY. Mr. Horte dealt with the low-income energy program.

Mr. HORTE. I think I would reiterate the same comments that both John and Bill said with regard to the Community Services Block Grant. The focus of our effort was the points that were raised in the testimony today, to look at the 1984 amendments specifically as relate to those issues. We have not done any direct audit work out at the States. All of this work at this point has been through a telephone survey.

Again, as he said with respect to the other grant, we have just started to do our analysis of that work, and any other work that might come beyond that, we really don't have any points to offer at this point.

Mr. KILDEE. Did the GAO investigators look at the States' benefit payment schedule to see if the highest benefits are in fact going to those with the lowest income?

Mr. HORTE. Yes, sir, we did. As part of our questions, we contacted the States, that was one of the things that we asked them about. The answer we got from the States was in all cases to ensure to their benefit matrix which they have—each State establishes a benefit payment schedule which they use.

I might add first, however, in all States eligibility is based on poverty level, which takes into consideration family size and income. So, from that standpoint, at least in determining whether a family receives any benefit at all, they all are considering those factors.

More specifically with respect to the benefit payment levels themselves, we found 12 of our States had differing payments based on income and household size.

Three additional factors that are considered as an attempt to try to target the assistance where the greatest energy cost is, eight of our States varied their payments by regions. Six States varied the payment by the type of fuel that was used. Two of the States varied it by housing type.

In addition, we found that three of the States provide additional benefits for the elderly.

The extent to which those variations occur different significantly among the States. A couple of quick examples, Massachusetts has basically two benefit levels. The State of Pennsylvania has, if my arithmetic is right, as many as 7,000 individual benefit payments. It's a computerized system, so they don't see any problem with that. Crank a few numbers into the system and you get a payment level.

Mr. KILDEE. In general did you find that the benefits are targeted to the most needy?

Mr. HORTE. In general we did, yes, sir.

Mr. KILDEE. Gentlemen, as you know, you do work for an agency that has the utmost respect here on Capitol Hill. I am sure you feel a certain pride in that. You can be sure that your report will be quoted during the debate on these bills. When we quote you, we can quote you and know that you will be believed on the floor. That is a great credit to yourselves individually and to the GAO.

Thank you for your testimony here this morning.

Mr. GADSBY. Thank you, Mr. Chairman.

Mr. KILDEE. I would like to ask two special guests to come forward today, Mrs. Suber and Mrs. Brown. Will they come forward again please?

STATEMENTS OF MRS. HELEN SUBER AND MRS. LAURETTA BROWN, WASHINGTON, DC.

Mr. KILDEE. I read about you in the Flint Journal. My own local paper had a story on the Follow Through hearing last Thursday. It had your two children's names in there, too.

I am going to send you both letters, by the way, thanking you for your testimony last Thursday. I will include the clipping from my own local newspaper which talked about your testimony.

You heard Dr. Davenport, who is a good friend of mine, testify this morning that Follow Through money perhaps could be spent better elsewhere within education. He and I happen to disagree strongly on this particularly program. I, of course, responded that I was afraid the money would be taken out of the education house and put in someone else's house.

Would you like to respond informally to what you heard this morning about Follow Through, or add anything to your testimony that you gave last Thursday?

Mrs. SUBER. I am very sorry that Mr. Davenport had to leave, because they were the ones that I really wanted to say some things to and ask some things of.

I think, for one, his committee has a very dim look on the Follow Through Program. As I stated last week, no one really has bothered to look at Follow Through except for moneywise. That bothers me, because I know there has been a lot of toil and sweat gone into Follow Through. As I said, Follow Through is a total program.

The other thing I hear: money, money, money. But if they stop and think about Follow Through, we haven't had a dime given to us extra to do anything with.

So, my question is really, what did they expect? When I went into Follow Through in—my children went in in 1969, so that took me about 1970, really, to get in and work. My kids came from Head Start. So, I know, you know, when they talked about moneys that had been given to Head Start and continuing to give to Head Start and here's a poor little Follow Through Program that is a 3- or 4-year program, they go in in kindergarten and they come out the third grade. They go into Head Start. Like you said today, 1 year, sometimes they are in there 2 years, because there are some Head Starts that take 3-year-olds.

We get them at 5. We get them from kindergarter to third grade. I don't think it has any comparison. But yet, the Head Starts and all the other programs get the money to do what other programs are now saying that they are doing. I am not knocking chapter 1, 2, or any other program. They may be doing just what they say they are doing. But they have the money to do.

We are sitting here in the District of Columbia, we are not a State. You hear everything about what State has done this and what State has done that. I even heard something about a State giving back $28,000, I believe it was, if I am not mistaken. If they had given this Follow Through site the $28,000, we could have survived. Sure, we are going down. What else is there for us to do? When I went into the Follow Through Program, there were 22 aides in that program, parents of Follow Through children. And as I said Thursday, there are none in there now.

We have a WAE, wages as earned. And she's among seven classes. She is stretched among seven classes. We have parent assistants that are in that building every day. They work in the program.

Mr. KILDEE. Mrs. Suber and Mrs. Brown, do you think that Xavier, and Clinton, and their classmates are more likely, because of Follow Through, to be professional workers, paying taxes rather than drawing welfare? Do you think it's more likely that because of Follow Through they are going to be people who will be contributing to the Treasury rather than drawing on the Treasury?

Mrs. SUBER. Do you want to answer that?

I'm sorry, when it comes to Follow Through, I am very serious about this. I have watched my children. I have a son. He's Follow Through. He's in college now. And as I watched our children go through life, I feel very strongly if they had not gotten that background from Follow Through, they would not be where they are now. And that is a soul-strong belief of mine. And I think I have had 15 years or so now that I can really say I know Follow Through. I have got grandchildren. Clinton is my grandchild. I have grandchildren now in the program. I have had nieces and nephews to come through there.

I can get numerous parents whose children came through Follow Through, and you would be surprised the things that they are doing now because they came through Follow Through.

Mr. KILDEE. And as a result, they will be paying taxes into the Treasury rather than drawing money from the Treasury?

Mrs. SUBER. Yes, yes.

You know, I don't even know if our Follow Through has a CBA grant or whatever it is. I am talking about the Follow Through Program. I am not talking about—as I say, moneywise, moneywise, sure, we've been beat to death. They have taken everything they could take away from us. We have had teachers to go. At first we had 13 teachers; we are down to 7 now. Budgetwise, moneywise, because we couldn't do any better, every year. And the program is going down because there are not as many children coming into Follow Through. If you don't have a certain amount of children, then they take a teacher from you. If you don't have a certain amount of this, they takes the aides from you.

This is what's happening to us. And I guarantee, and I may be wrong but I think if you check out every other Follow Through, there is nothing compared to what's in the District of Columbia. And that's the Follow Through Program that I am talking about. If you take a good look at it, you will see it has suffered.

Mr. KILDEE. We look forward to keeping in contact with both of you as resource people for this subcommittee.

Mrs. Brown, do you have something you wish to add?

Mrs. BROWN. Yes; my personal opinion about Follow Through Program, it has been very successful as far as my son is concerned. I wish they would extend it to the sixth grade really.

Mrs. SUBER. Amen.

Mrs. BROWN. The third grade, you know, it's not enough. For my son it has been very successful. I have learned a lot when he started. I registered late. When they told me about the Follow Through Program, which I had never heard, because I have only been in the area for 2 years, and when I enrolled him into Follow Through, I said: "Well, I am going to make it my business to get involved so I know what it's all about," What's different, you know, from the other programs?

Since I have, I have learned a lot, and he has, too. Like I said, personally I wish it would go on to the sixth grade.

Mr. KILDEE. Very good.

I really appreciate your coming back.

Mrs. SUBER. Any time you need me, anywhere.

Mr. KILDEE. We will be in contact with you.

I am with you on this. I think it's a great program. I think it's so few dollars, but those few dollars do so much good.

I really appreciate both of you coming back today.

Mrs. BROWN. This is our children's future, you know. So, to say they have money for anything else, you know, why not the kids? This is their future. They are going to be carrying on after we leave.

Mr. KILDEE. Thank you very much.

Mrs. SUBER. I just have one question that I would like to pass on to the big chiefs that make the rules and the regulations moneywise. I just would like to ask if they are afraid that one of these

minority children, black, white, green, or whatever, would someday become the President of the United States?

Mr. KILDEE. Well, I hope that will take place in my lifetime.

Mrs. SUBER. Please pass that on.

Mr. KILDEE. I am sure Dr. Davenport would like to have that happen.

Mrs. SUBER. Pass that on.

Mr. KILDEE. Thank you very much for your testimony. God bless you.

The subcommittee is adjourned.

[Additional material submitted for the record follows:]

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

States Fund An Expanded Range Of Activities Under Low-Income Home Energy Assistance Block Grant

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JUNE 27, 1984

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-214417

To the President of the Senate and the
Speaker of the House of Representatives

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Milton J. Socolar

Acting Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

STATES FUND AN EXPANDED RANGE OF ACTIVITIES UNDER LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

D I G E S T

The Omnibus Budget Reconciliation Act of 1981 substantially changed the administration of various federal domestic assistance programs by consolidating numerous federal categorical programs into several block grants and shifting primary administrative responsibility to states. This report focuses on one of those block grants--low-income home energy assistance (LIHEA)--and is one of a series GAO will issue to give the Congress a status report on block grant implementation.

GAO did its work in 13 states: California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington. Together these states receive about 46 percent of the national LIHEA block grant appropriations and account for an equivalent portion of the nation's population. While these states represent a diverse cross-section, the results of GAO's work cannot be projected nationally.

BLOCK GRANT BRINGS EXPANDED AUTHORITY TO USE INCREASED FUNDING

Federal energy assistance programs have changed dramatically since 1977. The initial programs focused on emergency needs, and until 1980, about $200 million annually was awarded to help states assist low-income households with large unmet utility bills. Prompted in part by the rising cost of home heating oil, federal funding rose to $1.6 billion in 1980 and $1.8 billion in 1981.

Effective October 1, 1981, the LIHEA block grant replaced the prior program, expanded states' administrative authority, and allowed funds to be used for a broader range of activities to assist eligible households in meeting home energy costs.

Under the block grant, federal funding continued to grow in 1982 and 1983 to $1.9 and $2.0 billion, respectively. (See pp. 1 to 4.) Federal funding is important because low-income home energy assistance activities in states generally are separate programs supported with federal funds. In 1983, only 3 of the 13 states contributed state funds to the energy assistance programs. In none of these states did the state funds account for more than 25 percent of total awards. (See p. 9.)

STATES MAKE GREAT USE OF THEIR EXPANDED PROGRAM AUTHORITY

Aided in part by increased federal funding, states have altered how low-income energy funds are spent. As shown below, heating assistance in the 13 states continued to be the largest program component, but such expenditures in 1982 and 1983 were below 1981 levels. In contrast, crisis assistance and weatherization funding were up sharply. The cooling program component remained relatively stable, while program funds were carried over into the next year or transferred to other block grants. (See pp. 9 and 10.)

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allowed, and about $112 million, or 97 percent of transferred funds, went to the social services block grant to help offset federal funding reductions for that block grant. (See pp. 11 and 12.)

Similarly, by 1983 all 13 states had exercised their new authority to use up to 15 percent of their funds for weatherization services. As a result, weatherization expenditures were about $56 million in 1982 and rose to $77 million in 1983. Moreover, eight states used at least 10 percent of their funds for weatherization.

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Interest group respondents were most satisfied with their access to state officials, the time and location of hearings, and the time alloted to block grants at those hearings. The primary areas of dissatisfaction were the opportunity to comment on revised plans, the timing of hearings, and the comment period on draft plans. Interest groups that testified, attended hearings, or submitted comments on state plans were more satisfied with state processes than those not as actively involved.

Forty-three percent of the interest group respondents believed that changes made by the state adversely affected individuals or groups they represented. Thirty-seven percent viewed state changes favorably, and the remainder said there was no impact. Also, about half the interest groups tended to view the block grant as a less desirable method of funding LIHEA programs, while 25 percent said the block grant approach was more desirable. (See pp. 48 to 52.)

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More specifically with respect to the benefit payment levels themselves, we found 12 of our States had differing payments based on income and household size.

Three additional factors that are considered as an attempt to try to target the assistance where the greatest energy cost is, eight of our States varied their payments by regions. Six States varied the payment by the type of fuel that was used. Two of the States varied it by housing type.

In addition, we found that three of the States provide additional benefits for the elderly.

The extent to which those variations occur different significantly among the States. A couple of quick examples, Massachusetts has basically two benefit levels. The State of Pennsylvania has, if my arithmetic is right, as many as 7,000 individual benefit payments. It's a computerized system, so they don't see any problem with that. Crank a few numbers into the system and you get a payment level.

Mr. KILDEE. In general did you find that the benefits are targeted to the most needy?

Mr. HORTE. In general we did, yes, sir.

Mr. KILDEE. Gentlemen, as you know, you do work for an agency that has the utmost respect here on Capitol Hill. I am sure you feel a certain pride in that. You can be sure that your report will be quoted during the debate on these bills. When we quote you, we can quote you and know that you will be believed on the floor. That is a great credit to yourselves individually and to the GAO.

Thank you for your testimony here this morning.

Mr. GADSBY. Thank you, Mr. Chairman.

Mr. KILDEE. I would like to ask two special guests to come forward today, Mrs. Suber and Mrs. Brown. Will they come forward again please?

STATEMENTS OF MRS. HELEN SUBER AND MRS. LAURETTA BROWN, WASHINGTON, DC.

Mr. KILDEE. I read about you in the Flint Journal. My own local paper had a story on the Follow Through hearing last Thursday. It had your two children's names in there, too.

I am going to send you both letters, by the way, thanking you for your testimony last Thursday. I will include the clipping from my own local newspaper which talked about your testimony.

You heard Dr. Davenport, who is a good friend of mine, testify this morning that Follow Through money perhaps could be spent better elsewhere within education. He and I happen to disagree strongly on this particularly program. I, of course, responded that I was afraid the money would be taken out of the education house and put in someone else's house.

Would you like to respond informally to what you heard this morning about Follow Through, or add anything to your testimony that you gave last Thursday?

Mrs. SUBER. I am very sorry that Mr. Davenport had to leave, because they were the ones that I really wanted to say some things to and ask some things of.

I think, for one, his committee has a very dim look on the Follow Through Program. As I stated last week, no one really has bothered to look at Follow Through except for moneywise. That bothers me, because I know there has been a lot of toil and sweat gone into Follow Through. As I said, Follow Through is a total program.

The other thing I hear: money, money, money. But if they stop and think about Follow Through, we haven't had a dime given to us extra to do anything with.

So, my question is really, what did they expect? When I went into Follow Through in—my children went in in 1969, so that took me about 1970, really, to get in and work. My kids came from Head Start. So, I know, you know, when they talked about moneys that had been given to Head Start and continuing to give to Head Start and here's a poor little Follow Through Program that is a 3- or 4-year program, they go in in kindergarten and they come out the third grade. They go into Head Start. Like you said today, 1 year, sometimes they are in there 2 years, because there are some Head Starts that take 3-year-olds.

We get them at 5. We get them from kindergarter to third grade. I don't think it has any comparison. But yet, the Head Starts and all the other programs get the money to do what other programs are now saying that they are doing. I am not knocking chapter 1, 2, or any other program. They may be doing just what they say they are doing. But they have the money to do.

We are sitting here in the District of Columbia, we are not a State. You hear everything about what State has done this and what State has done that. I even heard something about a State giving back $28,000, I believe it was, if I am not mistaken. If they had given this Follow Through site the $28,000, we could have survived. Sure, we are going down. What else is there for us to do? When I went into the Follow Through Program, there were 22 aides in that program, parents of Follow Through children. And as I said Thursday, there are none in there now.

We have a WAE, wages as earned. And she's among seven classes. She is stretched among seven classes. We have parent assistants that are in that building every day. They work in the program.

Mr. KILDEE. Mrs. Suber and Mrs. Brown, do you think that Xavier, and Clinton, and their classmates are more likely, because of Follow Through, to be professional workers, paying taxes rather than drawing welfare? Do you think it's more likely that because of Follow Through they are going to be people who will be contributing to the Treasury rather than drawing on the Treasury?

Mrs. SUBER. Do you want to answer that?

I'm sorry, when it comes to Follow Through, I am very serious about this. I have watched my children. I have a son. He's Follow Through. He's in college now. And as I watched our children go through life, I feel very strongly if they had not gotten that background from Follow Through, they would not be where they are now. And that is a soul-strong belief of mine. And I think I have had 15 years or so now that I can really say I know Follow Through. I have got grandchildren. Clinton is my grandchild. I have grandchildren now in the program. I have had nieces and nephews to come through there.

I can get numerous parents whose children came through Follow Through, and you would be surprised the things that they are doing now because they came through Follow Through.

Mr. KILDEE. And as a result, they will be paying taxes into the Treasury rather than drawing money from the Treasury?

Mrs. SUBER. Yes, yes.

You know, I don't even know if our Follow Through has a CBA grant or whatever it is. I am talking about the Follow Through Program. I am not talking about—as I say, moneywise, moneywise, sure, we've been beat to death. They have taken everything they could take away from us. We have had teachers to go. At first we had 13 teachers; we are down to 7 now. Budgetwise, moneywise, because we couldn't do any better, every year. And the program is going down because there are not as many children coming into Follow Through. If you don't have a certain amount of children, then they take a teacher from you. If you don't have a certain amount of this, they takes the aides from you.

This is what's happening to us. And I guarantee, and I may be wrong but I think if you check out every other Follow Through, there is nothing compared to what's in the District of Columbia. And that's the Follow Through Program that I am talking about. If you take a good look at it, you will see it has suffered.

Mr. KILDEE. We look forward to keeping in contact with both of you as resource people for this subcommittee.

Mrs. Brown, do you have something you wish to add?

Mrs. BROWN. Yes; my personal opinion about Follow Through Program, it has been very successful as far as my son is concerned. I wish they would extend it to the sixth grade really.

Mrs. SUBER. Amen.

Mrs. BROWN. The third grade, you know, it's not enough. For my son it has been very successful. I have learned a lot when he started. I registered late. When they told me about the Follow Through Program, which I had never heard, because I have only been in the area for 2 years, and when I enrolled him into Follow Through, I said: "Well, I am going to make it my business to get involved so I know what it's all about," What's different, you know, from the other programs?

Since I have, I have learned a lot, and he has, too. Like I said, personally I wish it would go on to the sixth grade.

Mr. KILDEE. Very good.

I really appreciate your coming back.

Mrs. SUBER. Any time you need me, anywhere.

Mr. KILDEE. We will be in contact with you.

I am with you on this. I think it's a great program. I think it's so few dollars, but those few dollars do so much good.

I really appreciate both of you coming back today.

Mrs. BROWN. This is our children's future, you know. So, to say they have money for anything else, you know, why not the kids? This is their future. They are going to be carrying on after we leave.

Mr. KILDEE. Thank you very much.

Mrs. SUBER. I just have one question that I would like to pass on to the big chiefs that make the rules and the regulations moneywise. I just would like to ask if they are afraid that one of these

minority children, black, white, green, or whatever, would someday become the President of the United States?

Mr. KILDEE. Well, I hope that will take place in my lifetime.

Mrs. SUBER. Please pass that on.

Mr. KILDEE. I am sure Dr. Davenport would like to have that happen.

Mrs. SUBER. Pass that on.

Mr. KILDEE. Thank you very much for your testimony. God bless you.

The subcommittee is adjourned.

[Additional material submitted for the record follows:]

BY THE COMPTROLLER GENERAL

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HEATING ASSISTANCE REMAINS THE MAJOR PROGRAM ACTIVITY, BUT FUNDING FOR CRISIS ASSISTANCE AND WEATHERIZATION UP SHARPLY

Since block grant implementation, funding for heating assistance generally has been reduced and its share of total program expenditures has declined. Nevertheless, it remains, by far, the largest single program component. Heating assistance expenditures in the 13 states decreased from about $661 million in 1981 to $503 million in 1982 as states exercised their options to use LIHEA funds for other purposes. Although total heating assistance spending rose to $630 million in 1983, such expenditures were still $31 million below the 1981 levels. Considering each state individually, heating assistance expenditures decreased between 1981 and 1983 in 8 of the 13 states while increasing in 5 states.[3] Comparing heating assistance expenditures to the total LIHEA awards over the 1981-83 period shows that the 13 states expended about 81 percent of their awards for heating assistance in 1981 compared to 59 percent in 1982 and 70 percent in 1983. This trend held true for 12 of the 13 states, as shown in appendix IV.

Heating assistance was comprising a smaller share of total LIHEA expenditures in part because states were increasing spending for crisis assistance and the newly authorized activities. The amount expended for crisis assistance in the 13 states grew from $35.2 million in 1981 to $91.4 million in 1983. More funds were spent on crisis assistance in 1983 than in 1981 in 11 of the 13 states, and by 1983 crisis assistance expenditures in 9 states exceeded the previous limit of 3 percent of the total award.

Also, by 1983 all 13 states began to use up to 15 percent of their LIHEA award for weatherization services. Total expenditures were $56 million in 1982 and $77.3 million in 1983, and between 1982 and 1983, 11 of the 13 states increased their weatherization expenditures. Although states differed in the amount of funds allocated to weatherization services, 8 of the 13 states used at least 10 percent of their LIHEA award for this purpose in 1983.

The following examples illustrate how states used their new authority under the LIHEA block grant to expand the crisis assistance program component and to initiate weatherization services.

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[3]Appendixes IV through VI show the specific changes in heating, crisis, and weatherization assistance for each state.

Kentucky moves to a crisis-oriented program

Using its new authority, Kentucky substantially changed the character of its program. The heating component now serves the elderly and the handicapped exclusively, whereas it was formerly available to a wider range of individuals. The crisis component now assists all other low-income households experiencing an energy crisis.

As a result, heating assistance expenditures decreased from $20.7 million in 1981 (87 percent of the state's award) to $8.9 million in 1983 (33 percent). On the other hand, crisis expenditures increased from $0.7 million (3 percent of Kentucky's award) to $15.1 million (56 percent). During this period the number of Kentucky households receiving heating assistance declined from 95,900 in 1981 to 40,000 in 1983, while the number of households receiving crisis benefits rose from 4,300 to 78,700. Overall, the total number of households receiving heating and/or crisis assistance increased by about 18 percent between 1981 and 1983.

California increases crisis and weatherization spending as heating expenditures decline

California officials used the block grant flexibility to increase weatherization and crisis spending and reduce heating expenditures. As a result, heating expenditures decreased from $68.9 million (85 percent of the state's LIHEA award) in 1981 to $59.1 million (65 percent) in 1983. During 1983 about $9 million (or 10 percent of the state's award) was used for weatherization, while crisis expenditures grew from $0.9 million in 1981 (1.2 percent of the state's LIHEA award) to $6.8 million (7.5 percent) in 1983. Although the block grant legislation eliminated the 3-percent ceiling on crisis assistance spending, California's legislature established a 7.5-percent limit in 1982.

Mississippi increases weatherization spending to help reduce long-term program costs

Mississippi officials placed increased emphasis on weatherization because they believe it offers a long-term approach for helping low-income households meet energy costs whereas heating and cooling assistance are only stop-gap measures. As a result, weatherization expenditures were $1 million in 1982 and doubled in 1983 to $2.2 million--the 15-percent maximum of the state's LIHEA award.

Iowa moves to bolster weatherization
but reduces level of crisis assistance

Because Iowa officials believe that weatherization services hold down home heating costs, they have given this program component high priority. By 1983, the state was spending about $5 million, or about 14 percent of its award, for weatherization services. Conversely, expenditures for crisis assistance decreased from $2.7 million in 1982 to $0.9 million in 1983 because the Iowa Energy Policy Council believed that community action agencies and households were using crisis benefits as supplemental heating assistance payments rather than to alleviate life- or health-threatening situations. While changes have occurred in the weatherization and crisis components, heating assistance remains the primary focus of the state's program, increasing from $23.9 million in 1981 (84.7 percent of the state's award) to $28.5 million in 1983 (77.6 percent).

LITTLE CHANGE IN COOLING ASSISTANCE ALTHOUGH FEDERAL REQUIREMENTS EASED

Before the LIHEA block grant, cooling assistance could be provided only if it was medically necessary. This requirement was eliminated by the block grant, thereby making it easier for states to provide cooling assistance. Nevertheless, between 1981 and 1983 there was little change in states' cooling assistance activities.

Eight of the 13 states did not provide cooling assistance in 1981 and chose not to initiate such activities in 1982 and 1983. Of the five states that offered cooling assistance between 1981 and 1983, three provided it as a separate activity while the other two provided it in conjunction with heating assistance. Texas and Kentucky had a separate cooling program from 1981 to 1983, as did Mississippi in 1982 and 1983. Conversely, California and Florida provided cooling assistance with their heating program.

Because cooling was incorporated into another activity in these latter two states, expenditures for cooling were not maintained separately. In the two states that provided cooling as a separate activity for the 3 years, cooling expenditures averaged 4 percent of the award in Kentucky and 31 percent in Texas between 1981 and 1983. For the 13 states, the aggregate identifiable cooling expenditures accounted for less than 2 percent of their awards between 1981 and 1983. Moreover, cooling expenditures in Texas increased from $13.8 million in 1981 to $14.7 million in 1983, while declining in both Kentucky and Mississippi. (See app. VII.)

Mississippi's cooling expenditures decreased from $1.8 million in 1982 to $0.7 million in 1983. This was due primarily to the state emphasizing weatherization assistance over cooling. Program officials said there was strong public opinion against providing cooling assistance when it was not medically necessary, and they did not believe that high summer temperatures were as dangerous as the winter cold.

Kentucky's cooling expenditures fluctuated widely--from $0.9 million in 1981 to $1.8 million in 1982 and $0.2 million in 1983. The state did not initially plan to provide cooling assistance in 1982 or 1983, but decided during the summer months to implement a program. Because substantial funds were available at the end of the 1982 program year, the state initiated a summer energy program, and conditions during July and August of 1983 prompted Kentucky to develop the Emergency Summer Aid Program, which provided fans to eligible households. Kentucky does not plan to have a cooling component in 1984 unless funds are available or unusually warm weather prevails.

MOST STATES CARRY OVER SOME PROGRAM FUNDS

The block grant legislation authorizes states to carry over up to 25 percent of their award into the following fiscal year. Before the block grant, states were required to return unexpended program funds to HHS. For example, New York returned $4.8 million and Mississippi returned $230,000 of their 1981 program funds. Since block grant implementation, most states included in our review have exercised the option to carry over unexpended funds.

Ten states carried over more than $78 million from 1982 into the next fiscal year, as shown in table 2.3. The portion of a state's total award carried over varied considerably, ranging from 0.7 percent to 21.5 percent. Five states carried over less than 10 percent, and no state carried over the maximum amount allowed.

Table 2.3

Carryover of LIHEA Funds
Into Next Program Year

States	1982 carryover (thousands)	Percent of 1982 award	Estimated 1983 carryover[a] (thousands)	Percent of 1983 award
California	$8,502	9.9	$15,511	17.1
Colorado	211	.7	1,892	6.0
Florida	1,511	5.9	1,977	7.4
Iowa	4,700	13.5	4,200	11.4
Kentucky	5,400	21.5	1,519	5.6
Massachusetts	0	-	0	-
Michigan	0	-	0	-
Mississippi	447	3.2	0	-
New York	17,800	7.5	8,800	3.5
Pennsylvania	24,000	18.8	20,000	14.9
Texas	9,008	21.3	11,011	24.7
Vermont	0	-	0	-
Washington	6,543	17.5	2,000[b]	5.1
Total	$78,122	9.2[c]	$66,910	7.4[c]

[a]Estimated as of September 30, 1983.

[b]State officials have indicated that the amount that is finally carried over may be less than $2 million.

[c]This percentage is based on states' total carryovers in relation to the awards to all 13 states.

As of September 30, 1983, nine states estimated that they would carry over about $67 million from 1983 into fiscal year 1984. Information obtained by HHS in January 1984 showed that eight of these nine states had reduced their estimates, and two states that did not anticipate carrying over funds estimated that they would have funds available to spend in the next fiscal year. Based on HHS' information, 11 of the 13 states estimated carrying over about $60 million into fiscal year 1984. (See app. VIII.)

State program officials told us that the most frequently cited reasons for carrying over funds were (1) the uncertainty of federal funding levels and (2) uncertainties regarding the timing of federal allocations. Program officials told us that

the desire to have enough funds to begin the next year's program was of great importance in their decision to carry over funds in five states in 1982 and six states in 1983. Also, uncertainty of funding levels was a factor of great importance in four states in both years.

For example, New York program officials said that they developed their payment schedule for LIHEA benefits based on the administration's proposed fiscal year 1982 budget. The final LIHEA allotment was about 42 percent higher than anticipated, but it was too late to change the payments and, consequently, substantial funds were carried over to the next program year. Similarly, Kentucky officials stated that 1982 carryover funds resulted from designing their program around the earlier budget figure because they did not plan to spend funds until they were "in hand."

Iowa carried over 1982 and 1983 LIHEA funds to begin providing heating assistance benefits earlier than could be done previously. State officials said that before the block grant, it would take several months for Iowa to receive its allocation after federal funds were appropriated. Consequently, benefits frequently were not provided until January or February. Using the carryover funds, benefit payments can now be made earlier.

In addition to carryovers related to the timing and amount of federal allocations, states cited other reasons for having year-end balances. For example, Florida officials said that the state had allocated all of the LIHEA funds in its 1982 and 1983 budgets but some items were underspent, thus leaving a balance to carry forward to the next year. Also, in 1982, Pennsylvania carried over $24 million, in part, because the state began its weatherization program later in the year than anticipated.

SEVERAL FACTORS INFLUENCE PROGRAM PRIORITIES AND OBJECTIVES

As shown in chart 2.1, states placed great importance on several factors in determining program priorities and objectives for their low-income home energy assistance programs. The three factors most frequently cited were use of existing state service delivery systems, changes in the level of block grant funding, and the need to provide services to other target populations. Additionally, promoting services to protected groups, maintaining program continuity, and meeting federal legislative requirements were considered to be of great importance in several states.

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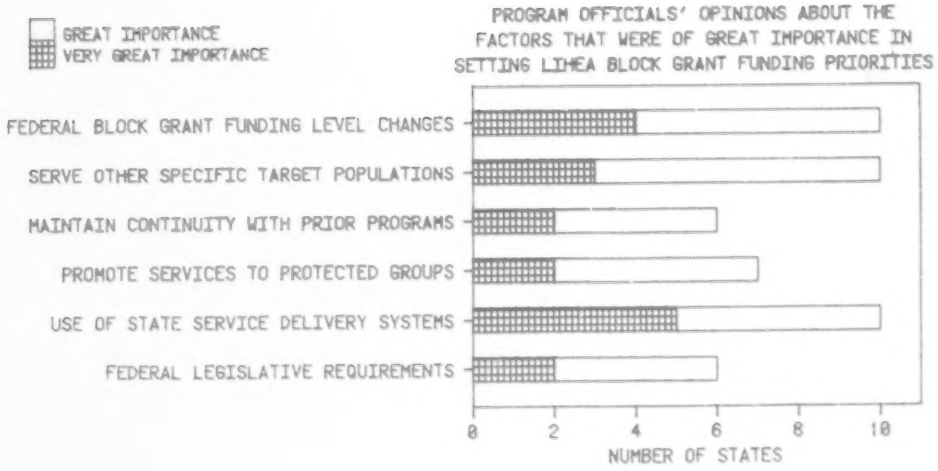
CHART 2.1
PROGRAM OFFICIALS' OPINIONS ABOUT THE FACTORS THAT WERE OF GREAT IMPORTANCE IN SETTING LHEA BLOCK GRANT FUNDING PRIORITIES



The desire to continue using existing state service delivery systems was of great importance in 10 states. For example, Michigan officials maintained the existing system because it already provided households with access to a network of local offices across the state. Also, Mississippi, Colorado, and Pennsylvania officials said that using the existing system eliminated start-up problems with new contractors and was less disruptive for individuals.

Changes in the level of federal funding were also an important factor influencing program priorities and objectives. Because such funding is the sole source of support for most states' programs, the amount of federal funds influences what program goals and objectives can be accomplished. Additionally, the various proposals to substantially reduce federal funding for this program during 1982 and 1983 created uncertainties and complicated states' planning efforts.

Ten states indicated that the wish to serve certain target populations was also an important factor in setting program priorities. In Mississippi, program officials provided an additional 3-week application period for the elderly. Michigan's program officials said that their goal to provide heating assistance to certain low-income households not receiving Aid to Families with Dependent Children (AFDC) or General Assistance caused the states to establish the Home Heating Credit Program. This program operates as a separate component of its heating program and provides benefits in the form of a tax credit to eligible households. For households with no state tax liability, benefits are provided by check.

CONCLUSIONS

The block grant provided states with several additional options for using low-income home energy funds. Assisted in part by increased federal funding, states used their new program authority to expand the range of activities funded. Although heating assistance payments continue to be the mainstay of most states' programs, low-income home energy block grant funds have been increasingly used to support a broader range of activities.

This trend is clearly evidenced by states' decisions to transfer low-income home energy funds to other block grant programs and to expand weatherization services. In 1982 and 1983, 10 of the 13 states transferred a total of $116 million to other block grant programs. With few exceptions, states transferred close to the maximum amount allowed, and about 97 percent of transferred funds went to the social services block grant to help offset federal funding reductions in that program.

Similarly, by 1983 all 13 states exercised their new authority to use up to 15 percent of their block grant funds for weatherization services. Although not authorized in 1981, weatherization expenditures for these states were about $56 million in 1982 and rose to over $77 million in 1983. Moreover, eight states were using between 10 and 15 percent of their award for weatherization activities.

States also gave increased emphasis to crisis assistance in the absence of the prior cap on such spending. Consequently, crisis assistance expenditures in the 13 states rose sharply--from $35.2 million in 1981 to $91.4 million in 1983. By 1983 spending for crisis assistance in nine states exceeded the previous limit of 3 percent of a state's total award.

As states took advantage of their new options, expenditures for heating assistance generally declined, although heating

still accounted for the majority of total spending. Expenditures for heating assistance decreased from $661.3 million, or 81.4 percent of states' awards, in 1981 to $630.1 million, or 70.1 percent, in 1983. Additionally, although the block grant made it easier to provide cooling assistance by removing the requirement that such assistance be medically necessary, there was little change in this program activity.

Most states did, however, make use of their new authority to carry over funds into the following program year. States carried over more than $78 million of LIHEA funds into 1983 and an estimated $67 million into 1984. Program officials reported that the wish to start the following year's program earlier and the expectation of reduced block grant funding in the future were the primary reasons for carrying over funds.

CHAPTER 3

STATES USE A VARIETY OF APPROACHES IN PROVIDING LOW-INCOME HOME ENERGY ASSISTANCE

The 1981 program gave states considerable discretion to determine who was eligible to receive low-income energy assistance and how such assistance would be provided. As a result, states already had established a wide variety of approaches for delivering energy assistance. This diversity continued under the block grant because states generally did not change the basic characteristics of their programs. They continued to define eligibility, determine benefit levels, and distribute assistance in much the same manner, although weatherization services were added and other program components were modified as states gained experience with the program.

WIDE RANGE OF ELIGIBILITY FACTORS CONSIDERED

Within certain legislative parameters, states have considerable authority to establish their own eligibility criteria. The block grant legislation permits assistance to be provided to households that (1) have incomes not to exceed the greater of 150 percent of the poverty level set by OMB or 60 percent of the state's median income or (2) contain one or more persons receiving needs-based benefits from the Veterans Administration (VA) or the following other federal programs: AFDC, SSI, and Food Stamps. In addition to these legislative factors, the 13 states considered several other factors in establishing their eligibility criteria, as shown in table 3.1.

Table 3.1

Factors Considered by the 13 States in Determining Eligibility for Low-Income Home Energy Assistance[a]

Eligibility factors	Number of states considering each eligibility factor for: Heating	Cooling	Crisis	Weatherization
Income	13	3	13	13
Eligibility for other federal programs:				
AFDC	7	1	5	6
SSI	7	1	5	6
Food Stamps	4	1	3	1
VA needs tested	3	1	1	0
Eligibility for state benefit programs	3	-	3	2
Housing status[b]	6	2	3	5
Inclusion of elderly person(s) in household	5	2	4	5
Inclusion of handicapped person(s) in household	4	2	4	5
Recipient of other LIHEA program services within program year	4	1	3	5
Assets	6	3	6	5
Other[c]	8	2	8	7

[a]This table includes information on heating, weatherization, and crisis assistance for all 13 states and the 3 states that offer cooling as a separate component. As discussed earlier, two other states offer cooling in conjunction with their heating program.

[b]Includes such housing factors as own or rent, and subsidized or unsubsidized.

[c]Includes such factors as state residency, U.S. citizenship, and size of household.

The one eligibility factor considered by all 13 states was an applicant's income. Although the specific income criteria varied among the states, most states established it below 150 percent of the OMB poverty level.

As shown in table 3.2, in 1983 eight states had income criteria below 150 percent of the OMB poverty level for heating assistance as did 10 states for weatherization, five for crisis assistance, and two of the three states administering cooling as a separate activity. Usually, the income criteria were in the 120- to 129-percent range. Additionally, income criteria have remained relatively constant between 1981 and 1983, with only California and Pennsylvania raising their limits from 125 to 130 and 150 percent, respectively, to broaden the eligible population.

Table 3.2

Income Eligibility Criteria
Used by States in 1983

Percent of OMB poverty level	Number of states using percent criteria for:			
	Heating	Weatherization	Crisis	Cooling
150	5	3	7	1
140 to 149	0	0	0	0
130 to 139	1	1	1	0
120 to 129	5	9	2	1
110 to 119	1	0	1	1
100 to 109	1	0	1	0
Below 100	0	0	1	0
	13	13	13	3

Ten of the 13 states also used a household's eligibility for other needs-based programs in determining eligibility for low-income energy assistance. In addition to the AFDC, SSI, Food Stamp, and VA programs mentioned in the block grant legislation, three states considered eligibility for state-funded assistance programs. As illustrated by the following examples, eligibility for other public assistance programs was a critical factor in determining eligibility in certain states.

--Texas provided benefits for heating and cooling assistance only to households meeting the income criteria and receiving benefits from AFDC, Food Stamps, SSI, or specified VA programs. Non-public assistance households cannot qualify for heating and cooling assistance even if they meet the income requirements but can qualify for crisis assistance.

--In California, heating and cooling assistance is available solely to AFDC and SSI recipients meeting the

income criteria, while crisis and weatherization assistance is available only to those recipients plus households eligible to receive food stamps. The state legislature in 1983 eliminated other low-income households from eligibility.

--New York considers certain recipients of AFDC, SSI, and the State Home Relief Program who meet the state's income criteria automatically eligible for energy assistance. Checks are mailed to these recipients without application unless they reside in certain living arrangement categories, such as nursing homes or institutions.

States also consider other eligibility factors not specifically noted in the block grant legislation. For example, six states specify a ceiling on the amount of combined liquid assets (i.e., checking and savings account balances, bonds, etc.) that a household may have and still qualify for heating assistance as did six states for crisis assistance and four for weatherization services. Additionally, six states gave priority to households with elderly or handicapped members for at least one program activity. To illustrate, in Kentucky, heating and cooling assistance goes only to households with an elderly or handicapped member, and in New York households with elderly individuals that spend at least 30 percent of their annual income on energy costs may receive double heating benefits.

In eight states the receipt of energy benefits under at least one program component is based on eligibility for, or receipt of, other LIHEA benefits. For example, in Pennsylvania a household must be referred for weatherization services from either the heating or crisis assistance programs. Similarly, a Colorado household must be eligible for heating or crisis assistance to receive weatherization services. In contrast, in Mississippi a household is generally not eligible to receive both heating and cooling payments within the same program year.

ELIGIBILITY DETERMINATION DIFFERS PRIMARILY IN APPLICATION PERIODS

In making eligibility determinations, states in 1983 required that applications be submitted during specified time periods. Generally, a separate application had to be submitted for each LIHEA program component, and eligibility for benefits from one component did not insure eligibility for another.

However, certain households in New York receiving AFDC, SSI, and state assistance are mailed a check for heating assistance without needing to apply for it. Other low-income households could submit applications, and applicants over the age of

60 could complete the process by mail through their local Office for Aging.

Two states formerly made automatic benefit payments but began requiring applications in 1983. California previously offered an automatic payment, plus an application for additional benefits, to all households receiving AFDC and SSI benefits. However, it began requiring applications for assistance because the state comptroller's office would not pay checks without proof of application. In 1982, Colorado determined that all households receiving public assistance in October 1981 were automatically eligible for heating assistance. However, in 1983, the state began requiring applications to provide greater assurance that it was assisting those households most vulnerable to increasing energy costs.

Although all states required applications in 1983 for at least one program component, the application period differed among the program components and varied widely among states. For example, heating assistance application periods ranged from less than 50 days in California, Kentucky, and Florida to 10 months in New York. Additionally, while seven states had year-round application periods for weatherization services, application periods for crisis assistance ranged from 5 months in Iowa and Vermont to year-round in five other states. There was little variation, however, in cooling assistance application periods. Applications were accepted during a 43-day period in Mississippi and during a 60-day period in Texas.

The timing of eligibility determination also differed among the states and among program components. Crisis assistance eligibility was most often determined at the time of application, while heating and cooling eligibility generally was determined during a 45-day period after application. Eligibility for weatherization services was usually determined during an inspection of the home, and delivery of services was as long as 1 year after application.

BENEFITS PAID VARY WIDELY AMONG STATES

States considered many factors in determining benefit levels. The most common were the number of household members, income ranges, utility costs, type of fuel used, inclusion of elderly or handicapped individuals in the household, geographic location,[1] and type of housing.

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[1]Geographic location is a factor generally giving additional consideration to weather variations in different parts of the state.

Average benefits paid differed widely among states, with the greatest variation occurring in the weatherization component. The average 1983 weatherization benefit ranged from $400 in Pennsylvania to about $1,500 in Michigan. The average heating and crisis benefits both ranged from about $70 in Texas to about $500 in Massachusetts.

While benefit levels varied among the 13 states, the aggregate average benefits paid for heating, crisis, and weatherization did not change dramatically over the 1981-83 period for these states where information was available, as shown in table 3.3. Appendix IX lists average benefits paid by individual states over this period.

Table 3.3

Aggregate Average Benefits Paid 1981-83

Program component[a]	1981	1982	1983
Heating	$261	$217	$248
Crisis	176	193	172
Weatherization	N/A	898	872

[a]Information on cooling benefits paid during this period was not available in all states offering such assistance because such benefits are often part of states' heating or crisis programs.

STATES USE A VARIETY OF METHODS TO PROVIDE BENEFITS

States used several methods to provide heating, cooling, and crisis benefits. The most common were checks to households, two-party checks, and direct payments to vendors. Also, crisis assistance can be in the form of other services. For example, Washington's crisis program offers a one-time energy service reconnection, heating system repairs, blankets and space heaters, money management training, instruction on hypothermia first aid, and aid in assessing the availability of other community resources.

In contrast to the program components that primarily provide direct payments to households, weatherization benefits are in the form of services and materials provided. They include caulking, weather-stripping, and insulation as well as other heat loss prevention and energy conservation measures. For example, Massachusetts provides eligible households with caulking for self-installation in addition to a wide range of services delivered by local contractors, such as attic insulation, storm windows, and heating system repairs. Washington provides

home repairs and modifications to reduce heat loss according to a priority listing of services until all funds for the home are exhausted or all weatherization measures are completed.

States also use different approaches to determine which households are weatherized first. For example, Texas established a point system in an effort to serve the lowest income applicants first. Kentucky also prioritizes applications on a monthly basis. In contrast, Iowa provides weatherization on a first-come-first-served basis.

CONCLUSIONS

The block grant reinforced the flexibility provided states under the prior program to help them meet their differing weather-related situations. Accordingly, the variety of approaches adopted under the prior program generally continued under the block grant. As a result, determining which households were eligible to receive assistance, when they could apply, how much they could receive, and in what form varied by state and by program component.

To reach their targeted populations, states employed a wide range of eligibility considerations. The one factor used by all 13 states was applicants' income, and most states adopted an income ceiling more restrictive than the 150 percent of OMB poverty level established in the block grant legislation. Another factor used by 10 states was eligibility for other federal or state public assistance programs, such as AFDC and SSI. Other common eligibility factors were the combined assets of household members, the inclusion of an elderly or handicapped person in the household, and the type of housing.

To determine eligibility, states generally required that applications be submitted during prescribed time frames. Application periods, however, varied widely among states. Similarly, the size of benefits paid fluctuated widely. Average weatherization benefits in 1983 ranged from $400 in Pennsylvania to about $1,500 in Michigan, while average heating and crisis payments varied from $70 in Texas to $500 in Massachusetts. In distributing these benefits, states used a combination of methods. Checks to households, two-party checks, and energy vendor credits were most often used for heating, cooling, and crisis assistance. Conversely, weatherization benefits were distributed as services and materials.

CHAPTER 4

BLOCK GRANT BRINGS LIMITED CHANGES TO STATES' ADMINISTRATION OF LIHEA PROGRAM

Before the LIHEA block grant, states had administered the federally funded low-income energy assistance program and accordingly had already developed policies and procedures for making payments and funding other services to eligible households. Because states were heavily involved in administering the prior program, few changes were needed in state organizations or program management activities. While block grant implementation had little impact on organizations or management practices, there were numerous indications of simplification related to administrative procedures, planning and budgeting, preparing applications, and reporting to the federal government. However, specific administrative cost savings could not be quantified in a comprehensive manner.

LIMITED ORGANIZATIONAL CHANGES REQUIRED

States have assigned administrative responsibility for one or more program components of the block grant to agencies that administered energy assistance services under similar federal or state programs. In 12 of the 13 states, agencies involved in administering the prior low-income energy assistance program were designated the lead administering agency for the block grant. Generally, these agencies are state public welfare or social service departments responsible for a wide range of administrative activities, including planning, outreach, technical assistance, and monitoring.

In 5 of the 13 states, one state agency, such as the Energy Policy Council in Iowa, administers all program components. For the other eight states, responsibility is divided between one agency that administers the weatherization component and another that administers all other program components. For example, the weatherization component is administered in Colorado by the Department of Local Affairs and in Michigan by the Department of Labor. In both states, the heating and crisis components are administered by the Department of Social Services.

The block grant legislation encouraged states to coordinate the weatherization program component with other similar federal programs. Ten of the 13 states have assigned this component to agencies that have experience in administering other federal and state weatherization programs. Also, in 9 of these 10 states, the same eligibility criteria are used for the block grant as

well as Department of Energy supported weatherization activities. For example, Massachusetts has combined the Department of Energy and LIHEA weatherization activities under one state agency and uses the same eligibility criteria. Also, Florida has assigned these two programs to the Department of Community Affairs and also uses the same eligibility criteria.

For the most part, the 13 states have retained the service delivery structure used for providing heating assistance, crisis intervention, and weatherization services before the block grant. State agencies have the greatest involvement in providing heating assistance and crisis intervention. For example, in 8 of the 13 states, heating payments are provided directly to households or vendors by the states. In contrast, all 13 states contract with local-level service providers to deliver services for all or part of their weatherization program. These providers tended to be community action agencies, local governments, and other entities, many of which also provide other federally funded weatherization services.

Officials in six states reported some organizational changes since block grant implementation. For example, New York changed the LIHEA program from a state-administered to a state-supervised/locally administered program when it became a block grant in 1982. State officials believed that local districts should have the flexibility to make decisions to better meet their needs. Also, in Iowa organizational changes were made to consolidate the delivery of all energy assistance services.

STATES ARE CARRYING OUT GRANT MANAGEMENT RESPONSIBILITIES

The states were heavily involved in managing various aspects of the prior energy assistance program. Under the block grant, states continued to be involved in program management by monitoring fund recipients, providing technical assistance, collecting data, and auditing.

Block grant has had little impact on state monitoring efforts

Generally, the block grant has had little effect on the extent of states' monitoring activities. All the states reported that they monitor service provider compliance with federal and state requirements, although they were emphasizing different issues and using various monitoring techniques.

In 10 of the 13 states, officials reported that block grant implementation had no effect on the extent of monitoring. For

example, a Florida program official said that they were satisfied with the monitoring under the prior program and, accordingly, continued to maintain the same level of monitoring under the block grant. Each of the remaining three states experienced at least some increase in its monitoring efforts. For example, a Washington official said the state slightly expanded the scope of monitoring efforts as a result of its increased responsibilities.

Program officials in 9 of the 13 states reviewed service providers by monitoring all or some of the LIHEA program components in conjunction with other federal or state-funded programs. For example, California's Office of Economic Opportunity administers LIHEA program components along with the community services block grant. The weatherization component is monitored in conjunction with the community services block grant and the Department of Energy weatherization program. The remaining four states monitor the LIHEA block grant separately.

State program officials told us that they emphasized various issues when monitoring service providers. All states said they placed great emphasis on monitoring to assure that funds are used for the purposes specified in the law, payments are made only to or for eligible households, and benefits are targeted to households with the greatest need. Also, most states placed great emphasis on monitoring various other areas, including coordination with related programs, assuring equitable treatment of owners and renters, assuring that sound fiscal and accounting procedures are being used, and compliance with certain state requirements. In addition, program officials in nine states reported placing at least great emphasis on monitoring the prevention of discrimination in service delivery and, in six states, at least great emphasis on the prevention of discrimination in hiring practices. All but one state said they used standard procedures in carrying out their monitoring responsibilities, and officials from five states said that the LIHEA block grant resulted in monitoring improvements.

Program officials in all 13 states relied heavily on the review of data and reports from service providers and site visits to monitor service providers. Program officials said that the frequency of site visits varied among the states. Also in six states, the extent to which site visits were used for monitoring varied by type of service provider or program component, and in two states, the use of site visits varied with both the type of service provider and the program component. For example, Pennsylvania vendors participating in the heating component of the LIHEA program are sampled yearly to determine where site visits will be made. Conversely, the state tries to visit

grantees in the state's crisis program and contractors participating in the weatherization program on an annual basis.

Information on the type and frequency of reports from service providers was provided by 7 of the 13 states. This information showed that reports were usually required on a biweekly or monthly basis and covered a variety of programmatic, administrative, and fiscal matters.

States provide technical assistance

In 1983, 11 of the 13 states provided technical assistance to local fund recipients. Community action agencies, utilities, fuel suppliers, local governments, recipient households, and Indian tribes were the primary recipients. The methods usually used to provide technical assistance were state written guidance (eight states), telephone calls (seven states), and site visits by state officials (six states).

The states usually provided recipients, primarily community action agencies, with assistance pertaining to restrictions on the use of funds. For example, 11 states reported providing information on state restrictions, while 10 states reported providing assistance on federal restrictions and grant application requirements. However, 9 of the 13 states reported providing technical assistance in each of the following areas: audit requirements, program management techniques, and financial management procedures.

Block grant has little impact on data collection

All states collect data on activities funded by the LIHEA block grant. The types of information most frequently collected on households served include geographic location, income level, age, and information concerning handicapped, disabled, or minority status of client populations served. Over half of the states reported that the amount of information collected has not changed since block grant implementation. Also, eight states said that their funding of data collection efforts had not changed since block grant implementation, two states reported funding increases, and three reported funding declines.

State officials said that state planning and management requirements had the greatest influence on state data collection efforts. In contrast, federal regulations and a desire to promote cross-state data comparability were not important factors in influencing state data collection efforts.

State program officials reported that certain types of additional data would be useful but there were barriers to collecting them. State officials differed on what types of additional information would be most useful; however, many desired data on the service needs of the eligible population, quality of services delivered, and program effectiveness. Officials from nine states said that the burden data collection would impose on local grantees and measurement difficulties are barriers, and officials from seven states also identified financial resources as a barrier. Officials from all 13 states said they plan to collect the same amount of data, or a moderate amcunt more, in 1984.

States now arrange for audits of block grant funds

A key oversight feature of the block grant legislation is state audits of LIHEA block grant expenditures. States are required by the law and HHS regulations to provide for independent audits of the LIHEA block grant on an annual basis. Generally, state auditors have conducted, or plan to conduct, state-level LIHEA block grant audits as part of single department-wide audits of state agencies. State officials told us that GAO's "Standards for Audit of Governmental Organizations" will be used for most of these audits, and most states plan annual audits covering their state fiscal year.

As of October 31, 1983, six states had completed LIHEA state-level audits, six states had LIHEA state-level audits in process, and an audit was planned but not yet started in the remaining state. As of January 1984, HHS Inspector General data for 44 states showed that 26 LIHEA audits had been completed, 11 were in process, and 7 were planned. These audits covered fiscal year 1982 funds.

The types of completed audits varied. Some were essentially financial, while others focused more on program operations. Also, there was considerable variation in the results. For example, in Pennsylvania the Comptroller for Public Welfare conducted a separate audit of LIHEA block grant funds for October 1, 1981, through September 30, 1982. The report, issued on January 21, 1983, stated that the financial statements fairly represented the financial condition of the LIHEA program. It further stated that the examination of the system of internal controls disclosed no major weaknesses in program administration or any material matters that would adversely affect reliance on the financial statements. The report did, however, contain

observations of certain deficiencies that could not be quantified. These included (1) certain benefit payments sent to the wrong vendors, (2) computer problems resulting in some duplicate payments, and (3) a lack of a method to determine whether a household exceeds the $400 benefit limit for emergencies.[1]

On August 30, 1983, the Auditor General of California issued a report on the State's Office of Economic Opportunity's administration of the LIHEA block grant during the period July 1, 1981, to June 30, 1983. The report questioned certain of that office's practices regarding application procedures, eligibility determination, and the distribution of program funds. Office of Economic Opportunity officials concurred with the report's conclusions and recommendations and indicated that they were developing a plan to implement the recommendations.

A public accounting firm examined the financial activities of the Mississippi Governor's Office of Federal State Programs as of September 30, 1982. The examination included an audit of the LIHEA block grant funds. The report did not identify any major difficulties.

In Massachusetts the State Auditor reported on the LIHEA program for the period September 1, 1981, to June 30, 1982. The report indicated certain programmatic deficiencies and made recommendations to strengthen the (1) income verification procedures, (2) oil vendor payment system, (3) collection of outstanding fuel assistance funds, (4) monitoring of bulk oil deliveries, and (5) cash management and financial controls. The Executive Office of Communities and Development, which administers the state program, responded that it found the report helpful in strengthening its program procedures. The office noted that many items were cited before full implementation of the 1983 program and, where possible, recommendations were incorporated into program procedures. The office indicated that considerable management progress had been made and that it would continue to pursue recommendations for cost effectiveness and control.

State agencies generally plan LIHEA subrecipient audits, but certified public accountants and internal auditors usually conduct the audits on an entity-wide basis that covers all the subrecipient's funds, including LIHEA funds. Most states plan to audit all their LIHEA service providers annually. Information on the status of substate service provider audits was

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[1]The Pennsylvania Department of the Auditor General also plans to cover the LIHEA block grant funds as part of a state-wide single audit.

available for 8 of the 13 states. State officials said that as of October 31, 1983, 62 LIHEA subrecipient audits were complete, 3 were in process, and 174 were planned.

BLOCK GRANT IMPLEMENTATION ACCOMPANIED BY ADMINISTRATIVE SIMPLIFICATION

Under the block grant, federal reporting and application requirements were simplified to reduce states' administrative burden. State program officials said that less time and effort is now required to fulfill these requirements, and in most states, these changes reportedly had a positive impact on program management. State program officials also indicated that they are changing or standardizing administrative procedures and making improvements in planning and budgeting as a result of the block grant.

Reporting requirements reduced under the block grant

The information states must report to the federal government has decreased substantially since block grant implementation. Previously, states had to send HHS detailed quarterly reports on the characteristics and numbers of the households served by the energy assistance program in a manner prescribed by HHS. In addition, states also had to submit quarterly estimates of expenditures and allotment need and a financial status report. In the expenditures and allotment report the state had to estimate its need for federal funds for the coming quarter and for the entire fiscal year. In the financial status report, the states accounted for the use of federal funds for past quarters, which provided the basis for adjusting the state's estimates if necessary.

Under the block grant program, states must submit two reports to HHS. On August 1 of each year, a reallotment report is due which shows (a) the portion of the original allotment that the state plans to carry over to subsequent fiscal years and (b) the amount of funds, if any, subject to reallotment. In addition, by October 31 of each year, states have to report on the number and income levels of households assisted by block grant funds. The reports required under the block grant call for less data, they are less frequent, and the states have more discretion concerning the format for reporting the data.

Although most states reported collecting as much data in 1983 as they had under the prior program, nine states reported that they now spend less time and effort reporting to the federal government. Four of the nine states also said they were

able to make management improvements in reporting as a result of the block grant. For example, Michigan officials reported that resources previously used for reporting can be directed to improve other areas of the program's operation.

Despite the reduction in federal reporting requirements, four states said they now spend the same amount of time and effort reporting as they had under the prior program. For example, officials from Iowa's Energy Policy Council said they produce the same amount and type of reports for the state legislature as had been prepared previously. Also, even though Washington officials said they were spending the same amount of time and effort on reporting, they believed the requirement changes were having a positive effect. They reported that the block grant enabled them to develop a reporting system to better meet the state's needs, rather than in response to federal requirements.

Application requirements simplified by the block grant

Under the block grant as well as the prior program, states had to submit an application for funding. Under the prior program, HHS could approve or disapprove a state's application, but HHS now reviews the block grant applications only to determine whether they are complete and meet the statutory requirements. Also, under both the block grant and the prior program, states' applications had to contain specific assurances called for in the legislation. Under the prior program, HHS prescribed how the states would comply with the assurances, whereas the block grant gives the states the discretion to fulfill the assurances in the manner that best suits their needs.

Officials in 10 of the 13 states reported that they spent less time and effort preparing their LIHEA block grant application than the applications for the prior program. Six of the 10 states said the reduced application requirements had a positive impact on program management. Although application requirements were reduced, officials in three other states reported that they spent about the same amount of time preparing applications for the block grant as they did for the prior program. Generally, this occurred because the states have continued to use the plan for other purposes. In two of the three states, state officials said that the effect of spending the same amount of time and effort has been positive. For example, Washington officials believed that they now have a better application. A state official noted that under the prior program, the application was a list of questions answered with single sentences. Now, the application is in narrative format and better explains the state's plans, according to the program official.

Block grant facilitates changes to or standardization of administrative procedures

Since block grant implementation, program officials in 7 of the 13 states reported efforts to standardize or change administrative procedures, such as data processing and reporting requirements. In four of the seven states, program officials said that the block grant was a factor in these changes. According to California program officials, the work of a legislatively created Block Grant Advisory Task Force should lead to standardized state-wide definitions and requirements for administrative costs. Also, a Massachusetts program official said that the state was moving toward standardizing administrative procedures, but the block grant provided added incentive to make such improvements. Massachusetts has also developed a subgrantee manual which describes administrative procedures and standardized reporting and data processing requirements. Also, a Washington official said that they developed a procedures manual to standardize procedures for all block grants, including LIHEA.

Block grant facilitates improvements in planning and budgeting

Officials in 8 of the 13 states attributed improvements in planning and budgeting for their energy assistance programs to the LIHEA block grant. Generally, officials said the improvements related to the added flexibility states now have to determine clients to be targeted and the mix of services to be offered. For example, Kentucky and Massachusetts officials said they were better able to define and target assistance benefits according to need. Colorado officials explained that the block grant enabled them to better concentrate on planning and budgeting for the LIHEA program without having to respond to numerous federal requirements.

QUANTIFICATION AND COMPARISON OF ADMINISTRATIVE COSTS NOT POSSIBLE

As discussed in the two previous sections, states have experienced a mixture of increased grant management responsibilities and administrative simplifications since implementing the block grant. In 1981 the block grant debate focused, in part, on the issue of administrative costs. Some believed that the administrative savings associated with the block grant approach could offset some federal funding reductions. Others were less optimistic, but many believed that fewer layers of administration, better state and local coordination of services, fewer federal regulations and requirements, and better targeting of services could lead to cost savings.

While much was said about the potential administrative cost savings, little attention was focused on the difficulties associated with quantifying and measuring such savings. Essentially, two conditions must exist for determining specific administrative cost savings:

--Uniform administrative cost data at the state level based on uniform definitions of administrative costs.

--Comprehensive baseline data on prior programs.

State approaches to defining administrative costs differ

Six of the 13 states have written definitions of administrative costs for state offices administering the LIHEA block grant. Officials in two other states provided unwritten definitions, and the other five states have no definition. Although the eight states that defined administrative costs did so in a manner essentially consistent with federal guidance, these specific definitions range from very vague and general to precise and detailed. Also, only six states had a definition that identified costs for subgrantees.

In addition to the different approaches to defining administrative costs, states also used varying procedures for computing and documenting administrative costs, and a few states had no such procedures. Also, only two states provided subrecipients with instructions for computing administrative costs. However, 10 states required subgrantees to report administrative costs, and most of these states required verification of these costs through audits.

At the time of our fieldwork, 8 of the 13 states could provide information on their 1982 administrative costs. None of these states exceeded the 10-percent limit on the use of block grant funds for administration, and some states used considerably less.

Some data available on administrative cost at federal and state levels

The LIHEA block grant is the sole program administered by HHS' Office of Energy Assistance. Program officials at that office were able to identify direct costs incurred in administering the block grant. However, they noted that it would be difficult to verify indirect costs because the block grant is charged with a percentage of the overhead expenses of the Office of Family Assistance and central HHS office costs. Also, the Office of Energy Assistance has less staff and incurs less

direct administrative cost than it did when assistance was provided under the prior program. That office reported that its administrative costs in fiscal years 1981-83 were $3,387,000, $2,634,000, and about $2,289,000, respectively. In addition, during these years, the authorized number of full-time equivalent positions declined from 75 in 1981 to 51 in 1982 and to 40 in 1983.

Although information on the cost to administer the prior program was available in 12 of the 13 states, it was not comparable. In some states it included both state and subgrantee costs, and in other states it included both federal and state funds.

State officials provide varying perceptions about administrative costs

While there are numerous indications of administrative simplification, quantifying any overall administrative cost savings appears impractical. Therefore, the best indicators of administrative cost savings are probably the perceptions of state officials, who have had the greatest contact with administering both the block grant and the prior programs. These perceptions tend to support the notion that although the block grants have simplified some areas of administration, they have brought added responsibilities in others, and the specific impact cannot be quantified. For example:

--Michigan officials believed that the administrative burden has decreased, but not greatly, and that some reporting and program flexibility has been achieved.

--Florida officials indicated that administrative costs were reduced as a result of combining the cooling and heating applications. These savings, however, could not be verified.

--Colorado officials believed that the block grant did not reduce administrative costs.

CONCLUSIONS

Because of their involvement in the prior program, states made few changes to their LIHEA service delivery systems. In many states, the agencies with preblock experience in providing similar services for related federal and state programs are now administering the various components of the LIHEA program.

States also had considerable involvement in administering the prior energy assistance programs. States continued their involvement in program management under the block grant and were monitoring fund recipients, providing technical assistance, collecting data, and auditing funds.

The reduced federal requirements and the management flexibility associated with the block grant produced indications of administrative simplification. Most states spent less time preparing grant applications and reporting to the federal government, and many reported specific management improvements related to planning and budgeting and standardizing administrative procedures. However, specific administrative cost savings in the states could not be quantified in a comprehensive manner. Accordingly, the perceptions of state officials remain the best indicators of changes in administrative costs emanating from the block grant.

CHAPTER 5

PUBLIC INVOLVEMENT ACHIEVED THROUGH STATE ELECTED OFFICIALS AND VARIOUS CITIZEN PARTICIPATION MECHANISMS

The involvement of governors and legislatures in the LIHEA block grant decisionmaking process has remained the same in most states since many of these activities were funded under the prior program. However, legislative involvement has increased slightly in four states. Also, gubernatorial involvement equaled or exceeded legislative involvement in 11 of 13 states.

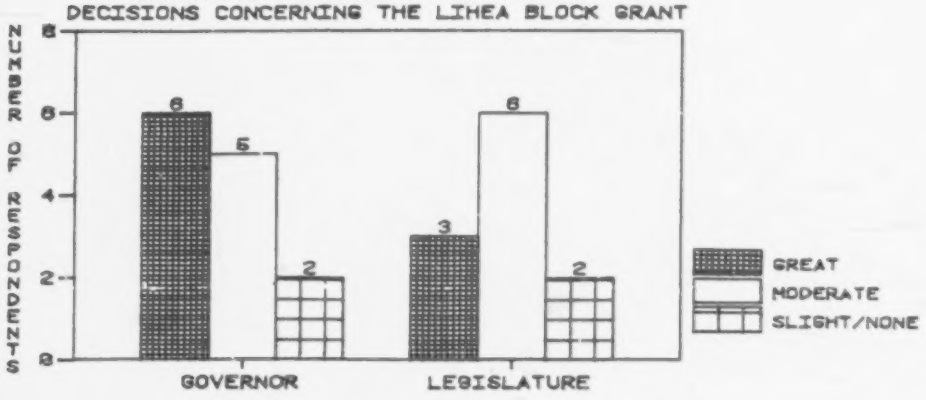
Federal requirements do not specify which branch of the state government must hold LIHEA block grant hearings, and the 13 states reported holding a mixture of legislative and executive branch hearings. Each state also circulated copies of its draft plan for public comment, and 10 states reported using input from advisory groups in the decisionmaking process. According to state program officials, the input obtained from informal consultations and statistical measures of program performance also often influenced LIHEA program decisions.

While most interest groups we surveyed participated in public hearings, their satisfaction with state efforts to facilitate formal public input was mixed. Also, while state officials generally believed the block grant approach was a more desirable way to fund LIHEA services, many interest groups preferred the prior approach.

GUBERNATORIAL INVOLVEMENT GREATER THAN LEGISLATURES

While the involvement of governors and legislatures in the LIHEA block grant has generally remained the same as their prior involvement, governors seemed to be more involved in these decisions than the legislatures. Chart 5.1 shows that governors' offices in 6 of the 13 states reported that they were greatly involved in LIHEA funding decisions. State legislatures in only 3 of the 11 states for which we were able to obtain data indicated a similar level of involvement.

CHART 5.1
GOVERNOR AND LEGISLATURE INVOLVEMENT IN DECISIONS CONCERNING THE LIHEA BLOCK GRANT



This trend was confirmed by program officials, who told us that governors in 11 of the 13 states were equally or more involved in LIHEA funding decisions than legislatures. Program officials reported that gubernatorial involvement had remained the same in 10 states since the prior program and that legislative involvement had remained the same in 8 states. They also said that gubernatorial and legislative involvement in LIHEA programs equaled or exceeded involvement in similar state programs in 5 of the 13 states.

Gubernatorial involvement reportedly increased in only two states. For example, the Colorado governor's office reported more involvement than in the past because there were a number of concerns and disputes among vendors providing services. Officials from the Massachusetts governor's office said that with the block grant flexibility, they have become more involved in setting priorities and providing overall policy guidance.

Governors used several mechanisms to obtain information on, or to exercise control over, block grants. However, most relied on their opportunities to review and revise budget submissions. Fewer governors relied on public hearings, advisory committees, and the review and approval of federal grant applications. While these latter mechanisms were used infrequently in some states, others made great use of them. For example, in Mississippi, the governor's office directly administers the LIHEA block grant.

While reliance on oversight mechanisms varied among the states, governor's office representatives in 7 of the 13 states said the block grants generally encouraged them to change their use of these information and control mechanisms. The types of changes included redirecting and rethinking program priorities, becoming more involved in planning and reviewing programs, and increasing interagency cooperation.

Like the governors, the legislatures strongly relied on the budget and appropriation processes as an oversight mechanism for block grants. Legislatures in all 13 states appropriate LIHEA block grant funds, and 9 of them earmark funds for specific program areas. Eleven legislatures also require the executive branch to report on operations of federal grants, including the LIHEA block grant.

Legislative committees in five states made changes to the 1983 block grant plans or proposals submitted by executive agencies. The types of changes involved maintaining or increasing funds for specific services, decreasing funds for specific services, as well as changing methods of service delivery, the amount of funds transferred among blocks, and the distribution of funds to grantees. In California and Massachusetts, for example, the legislatures believed that the need for funds for emergency crises was more important than weatherization and changed the executive proposal to reflect this priority. A legislative staff member in Massachusetts noted that the governor had wanted to use 10 percent of LIHEA funds for weatherization, but a legislative committee put a 5-percent cap on weatherization spending and shifted the funds to crisis intervention.

Governor's office representatives and legislative officials identified certain block grant characteristics which encouraged their involvement. The most commonly cited were the ability to transfer funds between blocks and greater state authority to set program priorities. Governors and legislatures have played key roles in transfer decisions. Program officials in six states reported that the governor's office was greatly involved in LIHEA transfer decisions, and in California, Iowa, and Florida they were more involved in these decisions than in other LIHEA program decisions. Also, program officials in four states noted that state legislative officials had great involvement in transfer decisions. In all but one of these states, legislatures were more involved in these decisions than in other LIHEA program decisions.

STATE EFFORTS TO OBTAIN CITIZEN INPUT VARY

All states reported holding public hearings, and most of the 13 states held both legislative and executive hearings on their 1983 LIHEA block grant funding proposals. Additionally, 10 of the 13 states made use of advisory committees in the LIHEA decisionmaking process, and all 13 states made their draft plans available for public comment.

States prepared required reports

Each state must prepare a draft plan describing how the state will carry out the assurances contained in the statute. These plans must be made available in such a manner as to facilitate public comment. Twelve of the 13 states provided their draft plans to various public and state organizations for comment, and Kentucky provided a summary of its plan to the public. Nine of the 13 states distributed the plans on their own initiative rather than on request. In most instances, they were sent to state legislators, service providers, private citizens, and organizations representing minorities and the handicapped. Eight states revised their draft plans, and seven of these states also made the revised plans available for public comment.

Most interest groups were generally satisfied with the availability of the draft plans and the length of the comment period. However, most also tended to be dissatisfied with the opportunity to comment on revisions to the plan and the timing of the comment period relative to the states' decisonmaking processes on the use of funds.

Six states plan to make changes to encourage more citizen input on draft plans. The changes include soliciting comments from more groups and soliciting comments earlier in the decisionmaking process.

All states conducted public hearings

Although each state is required to hold at least one public hearing on its 1983 LIHEA block grant, the legislation, unlike other block grants, does not specify whether the legislative or the executive branch must hold the hearings. Legislative committees in 9 of the 13 states reported holding at least one public hearing, while executive branch hearings were held in 12 of 13 states.

Overall, 14 legislative committees in nine states reported holding 34 hearings on the 1983 LIHEA block grant, whereas only four states held hearings on the prior program. Twenty-three

hearings were held in state capitals, while 11 were held in other locations. Most hearings were conducted by a budget or appropriations committee. Two hearings were held separately for the LIHEA block grant, 15 were part of separate appropriations hearings which included other block grants, and the remaining 17 were held during the state's normal appropriation hearing process. Legislative officials in six states reported that the concerns expressed during legislative public hearings led to changes in the state's budget proposal.

The most widely used method to notify the public of legislative hearings was state mailing lists. In nearly all states, advance notification ranged from 1 to 4 weeks. Average attendance at those legislative public hearings for which we were able to obtain data ranged from 162 in Massachusetts to 15 in Pennsylvania.

While 8 of the 13 states reported holding executive hearings for the prior program in 1981, 12 reported holding a total of 64 executive hearings for the block grant in 1983. Only Kentucky did not hold such hearings. The number of hearings ranged from 12 in Florida to 1 in Massachusetts. Twenty-seven hearings were held to address LIHEA alone, while the remaining hearings addressed LIHEA, other block grants, and in some instances, related state programs. The amount of advance notification was 2 to 4 weeks in eight states, and the remaining states either gave less than 2 weeks' notice or did not have the information available. Nine of the 13 states reported having information on their state plan available before all executive hearings, and 8 states reported having budgetary information available before such hearings. The average attendance at these hearings ranged from 14 persons in Iowa to 191 in Mississippi. Unlike the legislature, most executive hearings were held outside the state capital. Also, most states made special efforts to encourage participation by local governments, service providers, and members of protected groups by contacting organizations representing that group and arranging hearing times and locations convenient for them.

With regard to hearings, more interest groups were satisfied than dissatisfied with the advance notice, the number of hearings held, their location, and the amount of time allotted to block grants. Conversely, more were dissatisfied than satisfied with the availability of information before hearings and the timing of hearings in relation to the decisionmaking process on the use of funds.

Legislative committees in three states plan to make changes in the public hearing process. These include holding more hearings outside the state capital, holding more hearings, and

scheduling hearings earlier. Eight states plan to make changes in the executive branch hearings. These changes include scheduling hearings earlier in the decisionmaking process and holding more hearings outside the state capital. Mississippi, Washington, Pennsylvania, and Iowa plan to hold fewer hearings.

Considerable use of advisory committees and task forces

Ten of the 13 states reported using a total of 24 advisory committees or task forces as part of their decisionmaking process. Five committees focused on the LIHEA block grant alone, while the other 19 focused on the LIHEA block grant in conjunction with other block grants and/or state-funded programs.

These groups were generally composed of state program officials, private citizens, service providers, technical experts, and organizations representing minorities. The governor's office appointed members to these groups in six states and was directly represented in three states. State legislatures appointed members to advisory groups in four states and were directly represented in seven states.

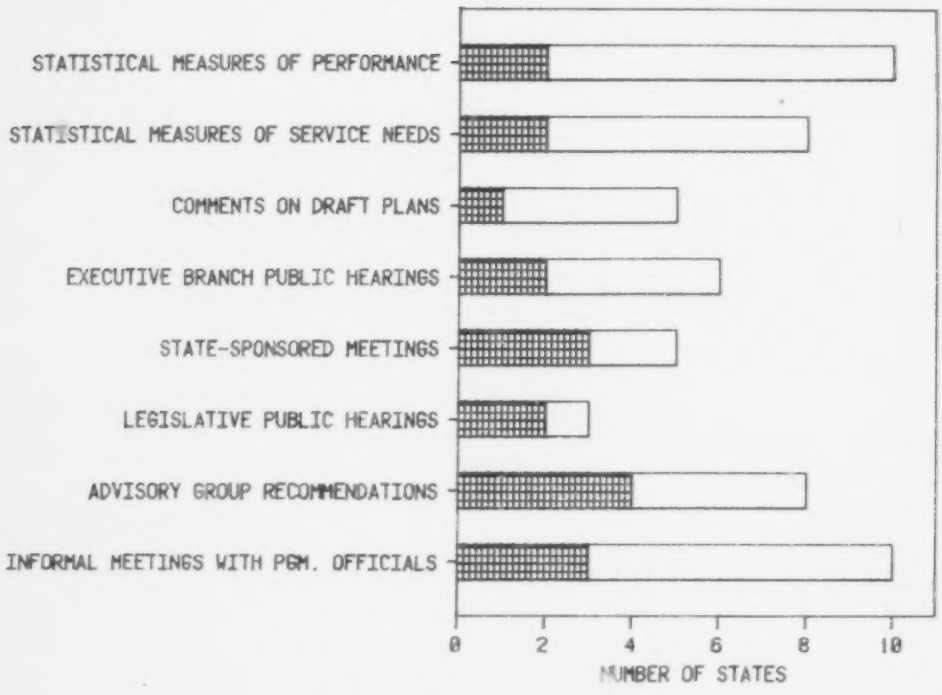
According to program officials in eight states, advisory groups made recommendations that led to decisions on the allocation of LIHEA funds. Also, most of the interest group respondents were generally satisfied with both the role and composition of LIHEA advisory groups.

Role of citizen input in LIHEA decisionmaking

As shown in chart 5.2, program officials said that statistical measures of program performance and service needs, informal consultations, and advisory groups were the most important sources of information in making decisions on priorities or objectives for LIHEA funds. Legislative public hearings had the least impact.

CHART 5.2

PROGRAM OFFICIALS' OPINIONS ABOUT THE SOURCES OF INFORMATION THAT WERE OF GREAT IMPORTANCE IN LIHEA BLOCK GRANT DECISIONS



In 12 of the 13 states, information received from one or more of the citizen input mechanisms led to decisions on the use of LIHEA funds. For example:

--Michigan's Department of Social Services initially did not propose to use funds for weatherization; however, after legislative hearings, $4 million was allocated for that purpose. Also, the state provided additional funds for crisis assistance based on comments on its draft plan.

--In Kentucky, recommendations made during legislative hearings led the Department of Social Insurance to expand its use of the two-party check.

--Massachusetts officials found that information obtained during executive branch hearings supported the state's policy to use LIHEA funds for conservation and weatherization. Also, a fuel assistance task force recommendation helped form the basis for the state's allocation formula.

PERCEPTIONS OF INTEREST GROUPS AND STATE OFFICIALS OF BLOCK GRANTS

While many interest groups increased their activity with state officials under block grants, their satisfaction with state efforts to facilitate input into LIHEA program decisions was generally mixed. Also, they were divided regarding their satisfaction with state responses to their concerns, but generally they believed that state decisions adversely affected groups they represented. State officials were generally pleased with the block grant approach, while many interest groups perceived block grants to be a less desirable way of funding LIHEA services.

Interest groups give mixed reaction on state input processes and decisions

About 46 percent of the LIHEA interest groups responding said that they increased their levels of activity with state legislatures and/or executive agencies since block grant implementation. Most of these were state-wide organizations involved in a wide range of activities to learn about or influence LIHEA programs. As shown in chart 5.3, interest groups participated in various aspects of the state citizen input process. Attending or providing testimony at hearings was the means most widely used, with 56 percent of the 223 interest groups responding to our survey participating.[1]

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[1]223 of the 786 respondents to our survey of interest groups in the 13 states indicated they had some knowledge of LIHEA-funded programs. Not all 223, however, answered every question in our survey, and percentages are based on the total number of respondents to each question. The number of respondents to our questions ranged from 46 to 223. The actual numbers of respondents, on a question-by-question basis, are detailed in appendix X.

CHART 5.3
LIHEA INTEREST GROUP PARTICIPATION
IN THE BLOCK GRANT INPUT PROCESS

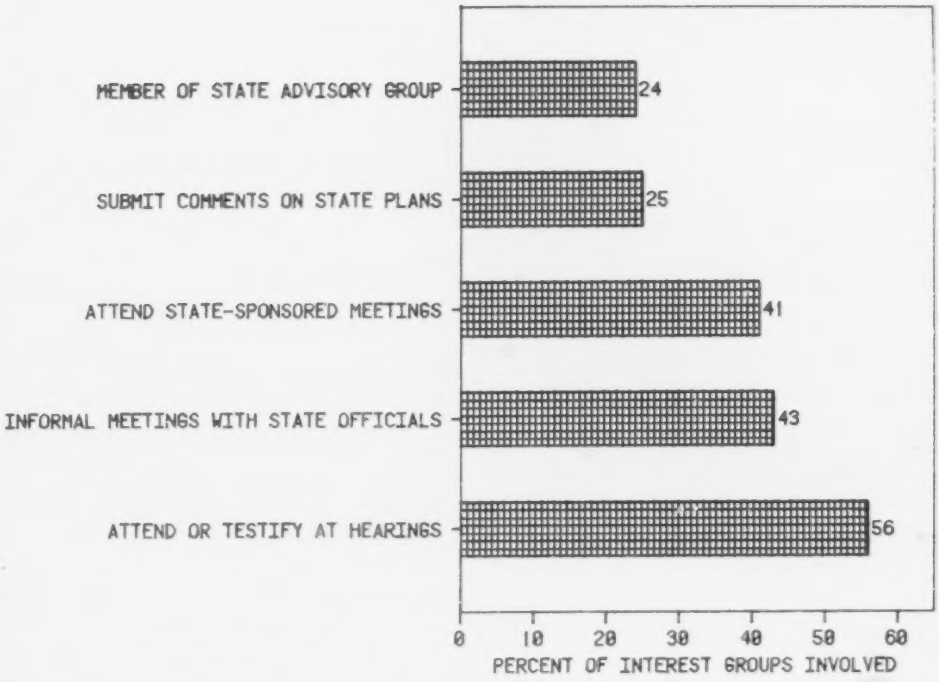

Table 5.1 shows that more interest groups attended or testified at executive hearings than legislative hearings.

Table 5.1

Percent of Interest Group Participation
in Different Aspects of Hearing Process
in 13 States

Aspect of process	Percent
Attendance at executive hearings	46
Attendance at legislative hearings	35
Testimony at executive hearings	24
Testimony at legislative hearings	17

There were no clear trends in satisfaction or dissatisfaction with state methods for facilitating citizen input. The major areas of satisfaction were with the accessibility of state officials for informal consultation (66 percent), the time and location of hearings (52 percent), and the time allotted to block grants at hearings (52 percent). The major areas of dissatisfaction related to the opportunity to comment on revised plans (52 percent), the timing of hearings relative to the state decisionmaking process (50 percent), and the timing of the comment period relative to the state allocation decisionmaking process (50 percent). Interest groups that actively participated by testifying, attending hearings, or submitting comments on state plans were more satisfied with state processes than those not actively involved.

Three issues most often cited as being of great or very great concern to interest groups were the need to maintain or increase funding for specific services (65 percent), for geographic areas within the state (40 percent), and for services for protected groups, such as minorities and the handicapped (53 percent). Program officials told us that they also perceived a considerable concern about maintaining or increasing funds for specific services during the executive branch hearings.

As shown in chart 5.4, interest groups were divided concerning states' responses to their major concerns; however, with regard to all three issues, more interest groups were satisfied than dissatisfied. In addition, 43 percent of the respondents believed that changes made by the state have had an adverse effect on the individuals or groups they represented. Thirty-seven percent viewed the state changes favorably, and the remainder said there was no impact.

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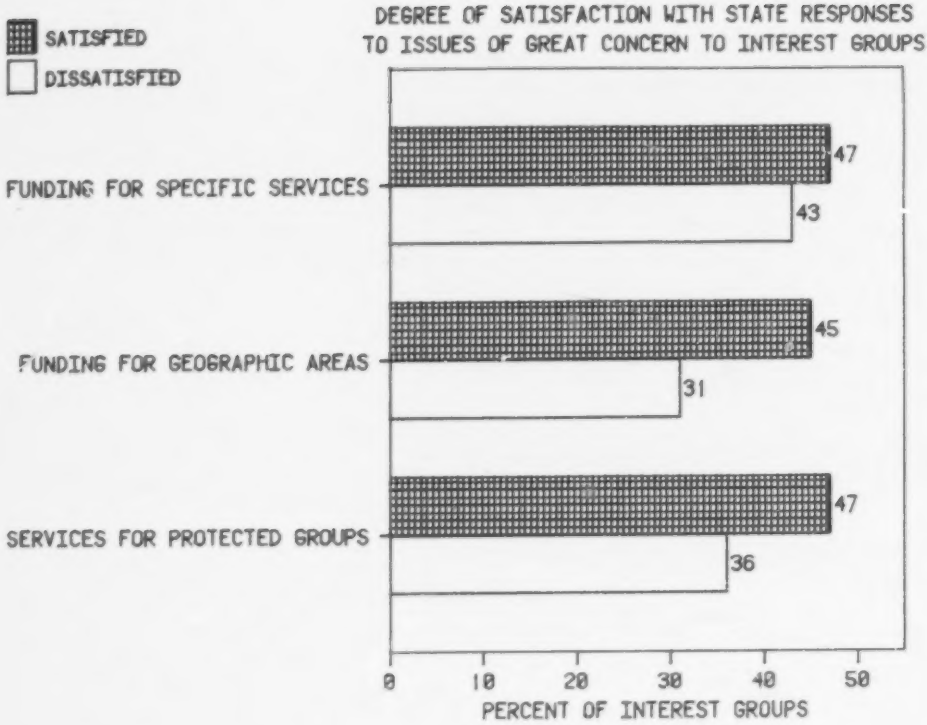
CHART 5.4
DEGREE OF SATISFACTION WITH STATE RESPONSES
TO ISSUES OF GREAT CONCERN TO INTEREST GROUPS



State officials and interest groups have different perceptions of block grant approach

Program officials in 12 of the 13 states said the block grant provided them more flexibility than the prior program, and governors in nine states agreed with that assessment. Most legislative leaders in 10 of the 13 states also believed that block grants provided more flexibility. In addition, LIHEA program officials in 12 of the 13 states believed that federal block grant requirements are less burdensome than the requirements of the prior program.

State officials generally believed the block grant approach was a more desirable funding mechanism than the categorical approach. Twenty-nine of 36 legislative leaders in 12 of the 13 states and 11 of the 13 governors said block grants were more desirable than the categorical approach. In addition, 12 of the 13 LIHEA program officials responding to our questionnaire also consider this approach more desirable to fund LIHEA services. Three legislative leaders in three states believed the block grants were a less desirable approach. All others saw little or no difference between the approaches.

Interest groups, on the other hand, did not generally perceive the block grant approach to be a desirable method of funding LIHEA programs. Only 25 percent said the block grant approach was more desirable, while 47 percent saw the approach as less desirable. The remaining 28 percent saw little or no difference.

CONCLUSIONS

The increased flexibility of the block grant, particularly the authority to transfer LIHEA funds to other block grants, has contributed to limited increases in the role of the legislatures in programs previously dominated by federal and state executive officials. While the involvement of state governors' offices has generally remained the same, their involvement exceeds the involvement of legislatures. Most states held both legislative and executive public hearings and made the greatest use of information obtained from informal consultations and statistical measures of program performance when making program decisions.

Interest groups had mixed reactions to states' citizen input processes. They were satisfied with their access to state officials; however, many were dissatisfied with the timing of hearings relative to the states' decisionmaking processes and the opportunity to comment on revised plans. Also, interest groups were generally satisfied with the adequacy of state responses to their concerns.

In general, state officials found the block grant to be more flexible and less burdensome and viewed it as a more desirable method of funding LIHEA services. On the other hand, 47 percent of the interest groups viewed it to be less desirable, and 43 percent believed that state changes to programs supported with block grant funds negatively affected groups they represented.

APPENDIX I APPENDIX

DESCRIPTION OF GAO'S DATA COLLECTION METHODOLOGY

To obtain information concerning the implementation and administration of block grants in 13 states, we collected data from two sets of sources:

1. Individuals or organizations having an interest in a single block grant, such as the state office that administers the block grant.

2. Individuals or organizations potentially having an interest in more than one block grant, such as groups within the state legislature.

In some instances we obtained data directly from records available at organizations we visited; however, most of the data were provided to us by individuals or organizations. Most data were collected between January and September 1983.

We developed three data collection instruments to obtain information from the first set of sources referred to above and five to obtain information from the second set of sources. The instruments we used to obtain information from sources having an interest in a single block grant were:

--Program Officials Questionnaire.

--Financial Information Schedules.

--State Audit Guide.

Almost identical versions of the Program Officials Questionnaire were used for all block grants reviewed. The other two instruments were more tailored to the specific block grant.

Questionnaires were used to obtain information from sources with potential interest in more than one block grant. The five respondent groups for these questionnaires were

--governors' offices,

--state legislative leadership,

--state legislative committees,

--state legislative fiscal officer(s), and

--public interest groups.

The approach generally taken with these questionnaires was to ask about the respondent's specific experience with each block grant and then ask some questions about general impressions and views concerning the block grant concept.

The primary focus of our study was at the state level; thus, most of our data collection took place there. Even when collecting data from other than the state level, state implementation and administration remained our major interests. The questions in the Public Interest Groups Questionnaire concerned the group's views on how the state implemented and administered each block grant.

The questionnaires were pretested and externally reviewed prior to their use. The extent of pretest and review varied with the questionnaire, but in each case one or more state officials or organizations knowledgeable about block grants provided comments about the questionnaire.

The Financial Information Schedules were discussed with other organizations that had obtained similar information at the state level in the past.

The following sections describe each data collection instrument, including information on the source of the data and the method used to administer the instrument.

PROGRAM OFFICIALS QUESTIONNAIRE

Content

This questionnaire was designed to elicit information about the administration of the block grant. It asked state program officials about

--the ways in which the state established priorities and program objectives,

--the procedures used to obtain the views of citizens and other interested groups,

--the scope of the state's data collection efforts,

--the extent to which technical assistance is provided to state and local providers,

--the state procedures and practices for monitoring service providers, and

--the state's general impressions concerning block grants.

Source of information

The questionnaires were completed by senior level program office officials who had responsibility for administering the block grant in the 13 states included in our study. We specified in the questionnaire that the responses should represent the official position of the program office.

Method of administration

We identified the senior program official in each state and delivered the questionnaire to the office of that official. The state program official was asked to complete the questionnaire with help, if necessary, from other staff and return the questionnaire to our representative. When certain responses were given, follow-up questions were asked to obtain additional information.

FINANCIAL INFORMATION SCHEDULES

Content

The purpose of these schedules was to obtain the best available data on how states were spending block grant funds in addition to other sources of funds for LIHEA program areas. These schedules show, for federal fiscal years 1981-83, the expenditures for each program component (heating, cooling, crisis assistance, and weatherization).

These schedules also provided information on the amount of 1982 and 1983 funds transferred to other block grants and carried over to the following program year. We also sought to obtain data on the number of households served as well as certain characteristics of these households. However, states did not collect these data in a consistent manner, and we were not able to assure ourselves that the data we obtained were an accurate indication of the number of households served or certain other household characteristics. Therefore, this information was not included in the report.

Source of information

The expenditure data were obtained from program and budget information available at the state level.

When actual expenditure figures were not available, estimated figures were provided. In these cases, however, state officials agreed that the figures provided accurately reflected funding changes within the program areas. We consulted with officials from the Urban Institute and HHS when designing the financial information schedules because of their knowledge and ongoing work in these areas.

Method of administration

Our staff worked with state program and budget officials to complete the expenditure schedules.

STATE AUDIT GUIDE

Content

We used this audit guide to collect information on the state's administrative organization and the LIHEA program's service delivery system. The areas covered included

--identifying the administrative structure the state used to deliver LIHEA services,

--reviewing program areas supported with LIHEA funds to determine and analyze expenditure trends by programs and sources of funding,

--obtaining types of assistance provided by each state and identifying changes made to services provided since the state adopted the block grant,

--identifying changes made to the types of providers eligible to provide services and beneficiaries of services since the state adopted the block grant, and

--obtaining changes made to the methods for distributing program funds.

Source of information

The information was obtained from state officials through interviews and state documents.

Method of administration

A detailed audit guide was used by our field staff to obtain this information. Follow-up meetings were held with state officials for further information or clarification of data.

GOVERNOR'S OFFICE QUESTIONNAIRE

Content

This questionnaire focused on the role played by the governor and his or her office in implementing and administering the block grants. Questions asked included

--the extent of the governor's involvement in the decision-making process regarding block grant funding and administration,

--what the governor did to obtain information or exercise control over the setting of state program priorities,

--whether there are any changes anticipated in the way in which the governor will exercise control in the future,

--if additional federal technical assistance would have been useful, and

--what the governor's general impression was about block grants.

Source of information

The questionnaire was completed by the governor or designated representative.

Method of administration

The questionnaire was mailed directly to the governor, and all governors or their designated representative responded. When completed, the questionnaire was returned to one of our representatives.

STATE LEGISLATIVE LEADERSHIP QUESTIONNAIRE

Content

This questionnaire was used to obtain information about the perceptions of state legislative leaders concerning block grants. The questions asked included

--how block grants affected the way the state legislature set program and funding priorities,

--what the major benefits were of funding programs through block grants,

--how block grants could be improved, and

--what were their general impressions about block grants.

Source of information

We compiled a list of legislative leaders based on a publication by the Council of State Governments, State Legislative Leadership; Committees and Staff, 1983-84. Generally there were four per state: the presiding officer of the senate, the senate minority leader, the speaker of the house, and the house minority leader. A total of 48 questionnaires were administered and 40 were returned, for an 83-percent response rate.

Method of administration

We delivered the questionnaire to the offices of each state's legislative leaders. We asked that they complete the questionnaire and return it to our representative.

STATE LEGISLATIVE COMMITTEES QUESTIONNAIRE

Content

The questionnaire requested information about public hearings concerning block grants held by state legislative committees in the 13 states. Questions included were

--how many hearings were held and where,

--who sponsored the public hearings,

--what mechanisms were used to inform citizens that hearings were being held,

--who testified at the hearings, and

--what concerns were expressed.

Source of information

We attempted to identify those committees in each state that held public hearings for the 1983 block grants. The questionnaires were completed by senior committee staff responsible for organizing public hearings on block grants. Twenty-eight committees received, completed, and returned the questionnaires.

Method of administration

We delivered the questionnaire to each legislative committee that held public hearings for the 1983 block grants. A senior committee staff member was requested to complete the questionnaire and return it to our representative. We followed up on selected questions for additional information.

STATE LEGISLATIVE FISCAL OFFICER QUESTIONNAIRE

Content

The purpose of this questionnaire was to obtain information about the procedures used by the state legislatures to control and monitor block grant programs. Specifically, we asked

--what control or monitoring mechanisms the state legislature has and whether they have changed since block grants were implemented by the state,

--how block grant funds are appropriated,

--whether public hearings led to changes in the use of block grant funds,

--what role the legislature played in changing executive agencies' block grant plans or proposals, and

--what were the fiscal officer's general impressions about block grants.

Source of information

Legislative fiscal officers are generally the directors of the permanent, professional staffs of state legislatures. The National Conference on State Legislatures, the National Association of State Fiscal Officers, and the Council of State Governments provided assistance in identifying the appropriate staff persons to complete our questionnaire.

Method of administration

We delivered 19 questionnaires to fiscal officers in our 13 states. Seventeen were returned, for an 89-percent response rate. We followed up on selected questions for additional information.

PUBLIC INTEREST GROUP QUESTIONNAIRE

Content

This questionnaire asked various public interest groups about

--their involvement with and perceptions of block grants,

--their perceptions about the state's efforts to solicit and incorporate citizen input into state program decisions made on block grants,

--their views on the impact of changes made by the state on those persons they represented, and

--their perceptions of changes in civil rights enforcement as a result of block grants.

Source of information

The names and addresses of interest groups were obtained from several sources. Initially we contacted about 200 national-level organizations and asked if they had state affiliates that might have dealt with the implementation of the block grants. If so, we requested the names and addresses of those affiliates. The list of 200 national-level organizations was compiled from lists developed by GAO staff from mailing lists of organizations interested in specific block grants compiled by HHS and from the staff of a private organization with extensive knowledge about block grants.

This list was supplemented, where possible, by lists of interest groups compiled from public hearing attendance rosters kept by state agencies. The availability of these lists varied by state.

Once an initial list was compiled, we sent it to our staff in the 13 states. They, in turn, showed these lists to state officials involved with the block grants and to a small, diverse

group of respondents on the lists. These groups provided corrections and recommended additions of groups that they felt were active in block grant implementation but were not on the list we had initially compiled.

The results of the selection process were not intended to be viewed as either the universe of public interest groups knowledgeable about block grants or a representative sample of public interest groups for any state or block grant. We believe, however, the interest groups we contacted provided a diverse cross-section of organizations knowledgeable about LIHEA block grant implementation.

Method of administration

Questionnaires were mailed to the identified public interest groups with an enclosed, stamped, preaddressed envelope. A follow-up letter and questionnaire were sent to those who failed to respond within 3 weeks after the initial mailing.

Of the 1,662 groups on our final list, 786 returned completed questionnaires, for a 47-percent response rate. Of the completed questionnaires, 223 indicated they had at least some knowledge of the implementation of the LIHEA block grant in the state in which their organization was located.

AWARDS TO THE 13 STATES

FROM 1981 THROUGH 1983

	FY 1981		FY 1982		FY 1983	
	Allocation	Percent of total allocation	Allocation	Percent of total allocation	Allocation	Percent of total allocation
California	$ 80,882,545	4.6	$ 85,885,365	4.6	$ 90,438,502	4.6
Colorado	28,201,219	1.6	30,074,454	1.6	31,692,417	1.6
Florida	24,975,977	1.4	25,436,045	1.4	26,804,147	1.4
Iowa	28,174,799	1.6	34,845,178	1.9	36,719,800	1.9
Kentucky	23,992,570	1.4	25,586,242	1.4	26,962,747	1.4
Massachusetts	79,791,153	4.6	78,460,451	4.2	82,670,102	4.2
Michigan	107,767,358	6.2	103,003,313	5.6	108,577,679	5.6
Mississippi	13,417,719	.8	13,764,396	.7	14,510,419	.7
New York	223,068,441	12.8	237,758,713	12.8	250,589,233	12.8
Pennsylvania	119,820,643	6.9	127,779,600	6.9	134,653,965	6.9
Texas	39,688,375	2.3	42,324,626	2.3	44,601,632	2.3
Vermont	10,440,512	.6	11,134,008	.6	11,733,003	.6
Washington	31,679,544	1.8	37,325,107	2.0	38,963,337	2.0
Total awards to the 13 states	$811,900,855	46.5	$853,377,998	46.0	$898,916,983	46.0
Total allocation to all states	$1,744,214,806		$1,855,265,165		$1,954,410,081	

APPENDIX II

TRANSFER OF LIHEA BLOCK GRANT FUNDS

TO OTHER BLOCK GRANT PROGRAMS IN FY 1982 AND 1983

States	Social services		Community services		Maternal and child health		Preventive health services		Total transfer		Percent of award	
	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983
	(thousands)											
California	$ 8,022	$ 9,044	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,022	$ 9,044	9.34	10.00
Colorado	2,750	3,100	-	-	-	-	-	-	2,750	3,100	9.14	9.78
Florida	2,376	2,681	-	-	-	-	-	-	2,376	2,681	9.34	10.00
Iowa	3,250	-	-	-	-	-	-	-	3,250	-	9.33	-
Kentucky	2,151	2,658	-	-	-	-	239	295	2,390	2,953[a]	9.34	10.00
Massachusetts	-	-	-	-	-	-	-	-	-	-	-	-
Michigan	9,600	10,300	-	-	-	-	-	-	9,600	10,300	9.32	9.49
Mississippi	-	-	-	-	700	-	-	-	700	-	5.09	-
New York	22,200	25,000	-	-	-	-	-	-	22,200	25,000	9.34	9.98
Pennsylvania	-	-	-	-	-	-	-	-	-	-	-	-
Texas	-	4,150	-	-	-	-	-	-	-	4,150	-	9.30
Vermont	-	-	-	-	-	-	-	-	-	-	-	-
Washington	2,281	2,552	1,207	1,350	-	-	-	-	3,488	3,902	9.34	10.01
Total	$52,630	$59,485	$1,207	$1,350	$700	-	$239	$295	$54,776	$61,130	6.42[b]	6.80[b]

[a]The amount of funds transferred by Kentucky was based on the LIHEA grant award ($26,963,000) plus the Petroleum Violation Escrow funds ($2,570,000) received by the state.

[b]This percentage is based on the states' total transfer in relation to the awards to all 13 states.

APPENDIX III

HEATING ASSISTANCE EXPENDITURES

OF LIHEA FUNDS FOR FY 1981-83

(in thousands)

	Expenditures in FY 1981	Percent of award	Expenditures in FY 1982	Percent of award	Percent expenditure change between 1981-82	Expenditures in FY 1983	Percent of award	Percent expenditure change between 1982-83	Percent expenditure change between 1981-83
California	$ 68,862[a]	85.1	$ 52,794[a]	61.5	-23.3	$ 59,149[a]	65.4	+12.0	-14.1
Colorado	24,848	88.1	21,809	72.5	-12.2	18,000	56.8	-17.5	-27.6
Florida	22,435[a]	89.8	15,901[a]	62.5	-29.1	17,890[a]	66.7	+12.5	-20.3
Iowa	23,878	84.7	20,611	59.2	-13.7	28,479	77.6	+38.2	+19.3
Kentucky	20,776	86.6	5,048	19.7	-75.3	8,892	33.0	+76.1	-57.2
Massachusetts	73,807[b]	92.5	63,783[b]	81.3	-13.6	70,269[b]	84.9	+10.2	-4.8
Michigan	73,219	67.9	42,425	41.2	-42.1	54,900	50.6	+29.4	-25.0
Mississippi	9,944[c]	74.1	8,525	61.9	-14.3	10,826	74.6	+27.0	+8.9
New York	176,000	78.9	144,500	60.8	-17.9	183,000	73.0	+26.6	+4.0
Pennsylvania	106,600	89.0	78,359	61.3	-26.5	118,000	87.6	+50.6	+10.7
Texas	23,225	58.5	21,435	50.6	- 7.7	20,856	46.8	-2.7	-10.2
Vermont	9,278	88.9	7,221	64.9	-22.2	9,274	79.0	+28.4	0
Washington	28,405	89.7	20,859	55.9	-26.6	30,605	78.5	+46.7	+7.8
Total	$661,277	81.4[d]	$503,270	58.9[d]	-23.9[e]	$630,140	70.1[d]	+25.2[e]	-4.7[e]

[a]Includes both heating and cooling.

[b]Emergencies are dealt with as part of the heating program.

[c]Includes emergencies for FY 1981 only.

[d]This percentage is based on total heating assistance expenditures in relation to the awards to the 13 states.

[e]This percentage is based on the difference between total heating assistance expenditures between the years indicated.

CRISIS ASSISTANCE EXPENDITURES OF LIHEA FUNDS FOR FY 1981-83

(in thousands)

	Expenditures in FY 1981	Percent of award	Expenditures in FY 1982	Percent of award	Percent expenditure change between 1981-82	Expenditures in FY 1983	Percent of award	Percent expenditure change between 1982-83	Percent expenditure change between 1981-83
California	$ 962	1.2	$10,444	12.2	+985.7	$ 6,783	7.5	-35.1	+605.5
Colorado	769	2.7	1,951	6.5	+153.7	4,100	12.9	+110.2	+433.2
Florida	0	-	575	2.3	+100.0	0	0	-100.0	0
Iowa	0	-	2,716	7.8	+100.0	928	2.5	-65.8	+100.0
Kentucky	686	2.9	6,192	24.2	+802.6	15,054	55.8	+143.1	+2,094.5
Massachusetts	0[a]	-	0[a]	-	-	0[a]	-	-	-
Michigan	26,466[b]	24.6[b]	36,981	35.9	+39.7	28,300	26.1	-23.5	+6.9
Mississippi	0[c]	-	227	1.6	+100.0	275	1.9	+21.5	+100.0
New York	2,500	1.1	8,300	3.5	+232.0	18,500	7.4	+122.9	+640.0
Pennsylvania	3,500	2.9	8,800	6.9	+151.4	8,000	5.9	-9.1	+128.6
Texas	0	-	0	-	-	4,336	9.7	+100.0	+100.0
Vermont	368	3.5	597	5.4	+62.2	560	4.8	-6.2	+52.2
Washington	0	-	1,993	5.3	+100.0	4,613	11.8	+131.5	+100.0
Total	$35,251	4.3[d]	$78,776	9.2[d]	+123.5[e]	$91,449	10.2[d]	+16.1[e]	+159.4[e]

[a]Emergencies are dealt with as part of the heating program.

[b]In FY 1981, Michigan requested to expend more than the 3 percent of funds permitted for energy crisis assistance. After reviewing the request, HHS concluded that the proposed use of funds was consistent with the provisions all states followed in designing their heating assistance programs. Accordingly, the proposal was approved without a waiver. HHS officials believe that Michigan included heating expenditures in this figure.

[c]No formal crisis component until 1982. Before 1982, emergency assistance was part of the cooling and heating components.

[d]This percentage is based on total crisis assistance expenditures in relation to the awards to the 13 states.

[e]This percentage is based on the difference between total crisis assistance expenditures between the years indicated.

APPENDIX V

APPENDIX VI

WEATHERIZATION ASSISTANCE EXPENDITURES OF LIHEA FUNDS FOR FY 1982-83

	Expenditures in FY 1982	Percent of award	Expenditures in FY 1983	Percent of award	Percent expenditure change between 1982-83
	(thousands)		(thousands)		
California	$ 3,158	3.7	$ 9,044	10.0	+186.4
Colorado	1,298	4.3	2,000	6.3	+54.2
Florida	3,436	13.5	4,022	15.0	+17.1
Iowa	1,132	3.3	5,177	14.1	+357.3
Kentucky	2,725	10.7	3,320	12.3	+21.8
Massachusetts	3,445	4.4	4,134	5.0	+20.0
Michigan	5,372	5.2	4,000	3.7	-25.5
Mississippi	1,026	7.5	2,177	15.0	+112.2
New York	29,900	12.6	21,900	8.7	-26.8
Pennsylvania	1,394	1.1	14,325	10.6	+927.6
Texas	0	-	1,141	2.6	+100.0
Vermont	1,003	9.0	1,218	10.4	+21.4
Washington	2,138	5.7	4,854	12.5	+127.0
Total	$56,027	6.6[a]	$77,312	8.6[a]	+38.0[b]

[a]This percentage is based on total weatherization assistance expenditures in relation to the awards to the 13 states.

[b]This percentage is based on the difference between total weatherization assistance expenditures between the years indicated.

COOLING ASSISTANCE EXPENDITURES

OF LIHEA FUNDS FOR FY 1981-83

	FY 1981	FY 1982	FY 1983
	----------(thousands)----------		
California	(a)	(a)	(a)
Florida	(b)	(b)	(b)
Kentucky	$ 913	$ 1,836	$ 242
Mississippi	2,417[c]	1,750	650
Texas	13,754	11,169	14,683

[a]Included in heating.

[b]In FY 1982 and 1983, Florida combined payments for heating and cooling benefits in order to reduce administrative costs. No figures are available on cooling expenditures alone for these years. Cooling expenditures for FY 1981 were $6,216,000.

[c]In FY 1981, Mississippi's cooling component included crisis assistance because there was no formal crisis component until FY 1982.

 APPENDIX VIII

1983 CARRYOVER OF LIHEA FUNDS TO 1984

IN THE 13 STATES AS REPORTED TO HHS

(in thousands)

California	$15,000
Colorado	1,500
Florida	2,300
Iowa	1,300
Kentucky	1,518
Massachusetts	0
Michigan	3,203
Mississippi	1,552
New York	7,000
Pennsylvania	18,000
Texas	7,100
Vermont	0
Washington	1,561
Total	$60,034

LIHEA BENEFITS

Heating Assistance

	Average benefit paid		
	1981	1982	1983
California	$160	$111	$183
Colorado	296	280	293
Florida	165	152	136
Iowa	341	267	299
Kentucky	233	159	223
Massachusetts	490	505	510
Michigan[a]	-	-	-
Mississippi	154	155	141
New York	177	153	190
Pennsylvania	328[b]	131	293
Texas	49	81	72
Vermont	455	384	383
Washington	287	222	(c)

[a]Michigan has seven components to its heating program during the the 3-year period. Michigan state officials only reported data for all 3 years for the Home Heating Credit component. The average benefit paid was $129 in 1981, $111 in 1982, and $122 in 1983. For Targeted Fuel Assistance, the average benefit paid was $181 in 1982 and 1983. This component was not available in 1981.

[b]Combined average for heating and crisis.

[c]Not available from the state when we collected the data.

APPENDIX IX

Crisis Assistance

	Average benefit paid		
	1981	1982	1983
California	$100	$107	$142
Colorado	170	170	160
Florida	(a)	92	(a)
Iowa	(b)	209	136
Kentucky	159	148	244
Massachusetts	(c)	(c)	(c)
Michigan[d]	154	370	301
Mississippi	154	(b)	116
New York	150	300	230
Pennsylvania	328[e]	132	143
Texas	n/a	74	74
Vermont	192	199	173
Washington	(a)	133	(b)

[a]Program not in operation.

[b]Information not available.

[c]Emergencies are dealt with as part of the heating program.

[d]In Michigan, the Emergency Energy Assistance Program was operational in 1981 and the Emergency Needs Program in 1982 and 1983.

[e]Combined average for heating and crisis assistance.

Cooling Assistance

	Average benefit paid		
	1981	1982	1983
Kentucky	$116	$190	(a)
Mississippi	154	146	$140
Texas	134	40	50

[a]The program provided fans (maximum of two per household).

Weatherization

	Average benefit paid	
	1982	1983
California	$ 688	$ 664
Colorado	78[a]	540[a]
Florida	700	700
Iowa	560	700
Kentucky	1,221	1,120
Massachusetts	1,150	1,150
Michigan	1,481	1,550
Mississippi	900	(b)
New York	(b)	(b)
Pennsylvania	400	400
Texas	(c)	755
Vermont	1,125	1,142
Washington	1,576	(b)

[a]In 1982, benefits noted were provided solely by the Office of Energy Conservation. In 1983, benefits noted were provided by the Division of Housing. Also, in 1983, the Office of Energy Conservation average benefits were $120.

[b]No information available.

[c]No program in operation in 1982.

APPENDIX X

INTEREST GROUP OPINIONS ON THE LIHEA BLOCK GRANT

Table 1

LIHEA Interest Group Satisfaction With State Methods of Facilitating Citizen Input Into LIHEA Decisions

	Percent satisfied	Percent dissatisfied	Total number of respondents
Hearings			
Time and location of hearings	52	29	137
Time allotted to block grants	52	21	127
Number of hearings	43	38	137
Degree of advance notice	45	41	141
Timing of hearings relative to state's decisionmaking process	27	50	123
Availability of information before hearings	33	46	138
Comments on state plans			
Length of comment period on draft state plan	41	37	123
Timing of comment period relative to state's decision-making process	31	50	123
Availability of draft state plan	46	32	136
Opportunity to comment on revised plans	26	52	122
Advisory committees			
Composition of advisory groups	47	28	111
Role of advisory groups	49	30	114
Informal contact			
Accessibility of state officials for informal contact on block grants	66	17	133

APPENDIX X

Table 2

Desirability of Block Grants
Versus Categorical Grants

Block grants are more desirable	Block grants and categoricals are equally desirable	Block grants are less desirable	Total number of respondents
25%	28%	47%	149

Table 3

Level of Activity With State
Program Officials and State Legislatures

	Percent increased	Percent remained the same	Percent decreased	Total number of respondents
State program officials	48	42	10	157
State legislatures	46	45	9	140

Table 4

Effects of Program
Funding Changes

Percent favorable effect	Percent no effect	Percent adverse effect	Total number of respondents
37	20	43	142

Table 5

Satisfaction With State Responses to Concerns

Concerns	Percent satisfied	Percent neutral	Percent disatisfied	Total number of respondents
Increase funds for specific services	50	13	37	115
Decrease funds for specific services	41	26	33	49
Increase funds for geographic areas	41	33	26	80
Decrease funds for geographic areas	26	44	30	46
Increase funds for protected groups	44	20	36	86
Need to change beneficiary eligibility	41	26	33	84
Need to change fund distribution	33	34	33	78
Need to change method of service delivery	35	25	40	81
Need to change program administration procedure	30	25	45	83

(000076)

THE NAVAJO NATION
WINDOW ROCK NAVAJO NATION ARIZONA 86515

PETERSON ZAH
CHAIRMAN, NAVAJO TRIBAL COUNCIL

EDWARD T. BEGAY
VICE CHAIRMAN, NAVAJO TRIBAL COUNCIL

March 21, 1986

Honorable Dale E. Kildee, Chairman
House Committee on Education and Labor
Subcommittee on Human Resources
Attention: Mr. Tom Kelly
402 Cannon Building
Washington, D.C. 20515

Dear Mr. Chairman:

Please find enclosed the original and three (3) copies of the testimony of the Navajo Nation on H.R. 4421, Reauthorization of Community Food and Nutrition. We hereby request that this testimony be made a part of the Subcommittee record for H.R. 4421.

We thank you for the opportunity to submit our written comments on this important issue.

Sincerely,

Eric D. Eberhard, Executive Director
Navajo Nation Washington Office

Enclosure

TESTIMONY
OF THE NAVAJO NATION
DIVISION OF HEALTH IMPROVEMENT SERVICES
BEFORE THE
HOUSE COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON HUMAN RESOURCES
ON
H.R. 4421-REAUTHORIZATION OF COMMUNITY
FOOD AND NUTRITION

Mr. Chairman, thank you for the opportunity of presenting this testimony before this distinguished committee.

The Navajo Tribal Food and Nutrition Services Department administers a wide range of nutrition programs. These programs are designed to meet family food needs and the food needs of women, infants and children at nutritional risk.

CHILD CARE FOOD PROGRAM

We would like to congratulate Congress on its efforts to consider eligibility for families above the poverty line in the Child Care Food Program We have found, however, that this mitigation will be offset by the means test itself. First, administration of this test on the Navajo Reservation will mean that many children will be automatically ineligible simply because some parents and guardians will be unable to fill out the forms due to their lack of English language skills. Second, we have not had a chance to review this test to see whether or not it is equitable. Third, we are concerned that the administrative costs of distributing this test and keeping the records will offset any savings in program costs.

The Navajo Tribe thus opposes the means test to be invoked for children participating in the family day care portion of the CCFP in order to discontinue subsidies to children from families with income above 185% of poverty. The means test will have the unintended effect of substantially decreasing the participation of low-income children. The CCFP provides children with nutritional benefits. It also introduces young children to many different types of foods and helps teach them good eating habits.

NUTRITION EDUCATION AND TRAINING

The proposed elimination of the Nutrition Education and Training Program (NET) will adversely effect the nutrition of poor children and harm the ability of schools to operate successful nutrition programs. The NET program serves the vital purpose of establishing nutrition education activities among schools on the reservation. No other program carries out these activities.

We should add that this program is very cost-effective. Teachers and counselors are trained in nutrition education, so that they can pass it on to their students. Many families, particularly in areas affected by large-scale economic development, have lost many of the traditional means of maintaining

healthy nutrition, and the schools have often become the principal means of teaching new habits. Our work through the school systems has thus been the best use of limited resources for improving nutrition.

WOMEN, INFANTS AND CHILDREN PROGRAM

The requested 1.6 billion for the WIC Program - $57 million above the 1986 appropriation would certainly be beneficial in maintaining enrollment at current levels. A recent USDA study mandated by Congress, showed clear evidence that WIC was a cost-effective program, since program benefits help reduce late fetal deaths and may reduce the death rate of newborns.

Our Health statistics show that this impact is important because, first, the Navajo infant neonatal mortality rate is lower than the national average, while the post-neonatal infant mortality remains twice as high as the U.S. average. The WIC Program thus attacks a problem acknowledged by IHS as difficult for them to solve clinically.

SUMMER FOOD PROGRAM FOR CHILDREN

The goal of the Summer Food Program for Children is to ensure that during the school vacation children in low economic areas of the reservation are able to receive nutritious meals. Through this program, alread underfunded summer school programs, youth camps and other recreational and constructive activities based on local effort obtain badly needed food support. The Navajo Nation opposes the proposed elimination of the special per meal administrative reimbursement rate and the modification of the general per meal reimbursement. The reimbursement for administration acts as an incentive for local sponsors who need funding for operating a program. A USDA study showed that lunch programs may provide many poor children with anywhere from one-third to one-half of their total daily nutrient intake. We believe that this program is essential.

The Child Nutrition programs have not only been proven cost-effective. They have been operated above and beyond the federal health requirements, as is demonstrated in our environmental health inspections of vendors participating in the WIC programs.

Child nutrition programs are not the cause of the deficit; they have already sustained cuts of over $5 billion between FY 1982 and 1985. The Omnibus Reconciliation Act of 1981 treated the child nutrition programs harshly and disproportionately.

When Child Nutrition Programs are eliminated, all children in the community, including poor, are denied the nutritional and educational value of the Program. Well-financed and well-managed child nutrition programs are the mechanism to insure the children's nutrition and health status.

In closing Mr. Chairman, we would like to commend you and the other members of this committee for providing the leadership that you have provided in the area of child nutrition.

[Whereupon, at 12 noon, the subcommittee was adjourned, subject to the call of the Chair.]

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